

Importance of Psychological Contract Breach and Employee Engagement

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Executive Summary

Findings: The first study shows that in a workplace with low levels of social exchange, there is a minimal reduction in work performance when the levels of Psychological Contract Breach (PCB) increases. But when there are high levels of social exchange, there is a considerable reduction in work performance when PCBs increase. The second study found that when there are higher levels of trust between the employee and the organization, there was less of a perceived PCB. The next study supports this idea by showing that there is a lower turnover rate when the level of trust is high. The fourth study states that when there is a PCB, employees are more likely to have counterproductive work behavior (CWB).

Recommendations

Trust: One of the first things that should be done when hiring new employees is building a high level of trust. When this trust is built, PCBs will have less of an impact on the employee and they will be less likely to leave the organization. Managers should be socializing with their employees regularly; this will build trust over time by establishing a relationship between the two parties. It is harder to gain a higher level of trust when there is little to no social interaction between managers and employees.

Put expectations in writing: Having a written guideline of what a manager expects will help avoid any confusion over an employee's duties, as well as further lessening the risk of a PCB. If new expectations are created after the original ones are written, then they need to be communicated to the employee. If these new expectations are not communicated, then there will likely be a PCB. Having these specific expectations will help make sure there are less assumptions that the employee has to make.

Emotional Intelligence (EI) training: EI training will help both the manager and the employee keep their emotions in check and will allow them to understand their counterpart's emotions. This will make everyone more self aware, causing the number of PCBs to be minimized due to self regulation and empathy. When emotions get involved, people can end up saying something that they did not want to. This may lead to a perceived PCB which can be difficult to recover from.

Introduction

Psychological contracts are common in every organization, and different for every employee and manager. They derive from the beliefs and values of both parties and are vital to a productive work environment. Psychological contracts set standards for employees and managers to abide by when in the workplace in order to prevent mistreatment on both ends. These contracts are not formal and we are often not aware of their existence until a breach occurs. A lack of clarity or knowledge of their existence can lead to serious problems.

When psychological contracts are breached, it can be very harmful to an organization. A PCB is when either party breaks a rule that was set forth and expected to be followed by one another. While these contracts are important, they are never explicitly presented to either party, they are simply unwritten expectations. A large part of maintaining a psychological contract is the presence of a great deal of trust between an employee and an employer. This can make psychological contracts a gray area when it comes to what is and is not accepted in the workplace.

Due to their nature, PCBs are likely to occur, but the severity of the breach can have different levels of effects on the employees' engagement within the company. Managers should be more conscious of these contracts because of their unpredictable nature and the negative results of a potential breach. More specifically, managers who often work closely with their employees should be especially mindful of preventing PCBs. The more time that is spent interacting with employees, the larger the opportunity is for a PCB to occur. Managers with employees on hourly wages and salaries should be extra cautious of a PCB. These employees can reduce their production levels and still be paid the same amount, meaning that they will have no motivation to go above and beyond. Managers with employees on commission do not have to worry as much about this because the employee's salary is positively correlated to their productivity.

Key Terms

Active Listening: Giving the speaker your undivided attention, while maintaining eye contact and providing feedback to reach a maximum shared reality (Fitzpatrick, 2014, p. 1).

Emotional Intelligence (EI): Being aware of one's emotions, as well as others, and understanding how to control them. This is comprised of five components: Self-awareness, self-regulation, internal motivation, empathy, and people skills (Moss, 2018, p. 1).

Employee Engagement: Mental or emotional obligation an employee has to his/her place of business and its future goals. It is critical in order for there to be productivity within the company because keeping employees engaged should be the first priority of the company (Kruse, 2012, p. 1).

Organizational Commitment: The employee's level of commitment to the company, how strongly they identify with it, and their willingness to leave it (Ćulibrk, DeliĆ, Mitrović, Ćulibrk, 2018, p. 1).

Psychological Contract Breach (PCB): Psychological contracts are mental models created by employees and managers that dictate how they should act and treat one another in the workplace. (Kiazad, Seibert, Kraimer, 2014, p. 535-536). These contracts can be as simple as the employee coming to work on time, and the manager showing the employee respect in the workplace. However, because these contracts are not discussed or written they can vary between the two parties. This can cause an unintentional breach of the psychological contract, which can create problems in the workplace.

Psychological Safety (PS): Members of the organization are comfortable being themselves and being able to express their opinion (Erkutlu and Chafra, 2016, p. 371).

Selective Attention Bias: Only paying attention to information that reassures one's pre-existing notions (Paptics, 2018, p. 1).

Findings

1. How do social exchanges modify the relationship between Psychological Contract Breach and employee engagement?

A study by Bal, Chiaburu, and Jansen (2010) aimed to study how varying social exchanges between employee and employer modified the relationship between PCB and work performance. The first hypothesis (buffering-hypothesis) of the study is that when there are high levels of social exchanges, as the level of PCBs increase, the reduction in work performance is minimal, while low social exchanges lead to a greater negative effect on performance as the level of PCBs

increases. The reduction of work performance is due to employees having a high level of organizational commitment from high social exchanges, so a breach is not as damaging to their work performance because they trust the company more. The other hypothesis (intensifying-hypothesis) is that as the level of PCB increases, the work performance of employees with a high level of social exchanges dramatically decreases. Conversely, as the level of PCB increases for employees with low social exchanges, the reduction in work performance is minimal. The intensifying-hypothesis derives from employees with high organizational commitment feeling betrayed by the company when there is a PCB. While employees with low social exchanges have less commitment to the company, so a PCB is less important to them, and the reduction in work performance is minimal.

The data for the study was collected from a service company in the United States, where all employees were sent a questionnaire. 266 employees responded to the survey (53.2 percent response rate), 79 percent being male, 69 percent had some college education, 81 percent were 30 years or older, and 75 percent had worked for the company for three or more years. The information for the level of breach and work performance was quantified using questionnaires with ratings of 1 to 4 for answers on the level of agreement the employee felt towards each question. The questions specifically measured perceived organizational support, trust in the organization, job performance, organizational citizenship behaviors, and certain controls such as gender and length of time at the company.

The findings of the study strongly supported the intensifying-hypothesis. This meant that employees with high levels of social exchange had drastically reduced work performance as the

level of PCB increased. This shows that employees feel betrayed by the company when there is a PCB, resulting in much lower effort and commitment to the job.

Another study by Mai-Dalton, Suazo, and Turnley (2005) studied the effects of a PCB on job performance with employees in a social exchange relationship with their employers. The third hypothesis of the six that were tested, stated that a PCB will negatively affect an employee's job performance. This is because the employee will feel as though their employer has wronged them in some way, even if the employer did not realize they did anything wrong. The ambiguous rules can cause this misunderstanding, proving psychological contracts to be fragile.

The data for the study was collected using surveys from 234 full-time employees in two samples. The first sample was a group of 108 people with a variety of county government jobs in New Mexico, comprised of 76 Hispanic-Americans, and 32 White-Americans with a total response rate of 26 percent. The second sample was 126 people with jobs in a PhD Project Conference, 95 being African American and 31 being Hispanic-American, with a total response rate of 28 percent. The surveys quantified data about each employee's in-role performance, helping behavior, intent to quit, and professional commitment.

The results of the study supported the third hypothesis, meaning that employees in a social exchange relationship who were victims of a PCB had significantly lower in-role job performance. When employees feel as though they received less than what they expected based on the psychological contract they form, they will lower their work performance to a level they see is equal to what they are receiving.

2. To what extent does trust mediate the relationship between Psychological Contract Breach and employees' engagement?

A study conducted by Sandra L. Robinson (1996), examines the extent to which trust mediates between an employee and an employer when a PCB occurs, and in turn affects employee engagement. "Psychological contracts refer to employees' perceptions of what they owe to their employers and what their employers owe to them" (Robinson, 1996, p. 574). In the study, Robinson uses data collected from 125 newly hired managers. Data was collected at three points during the year for two-and-a-half years. The data was collected over 12, 18, and 30 months on the job that helped to show that trust and PCB is multifaceted and strong. Initial trust between an employee and employer is monumental and plays a large role in employee engagement. There is prior research by Robinson, Kraatz, and Rousseau that associates a PCB with a decrease in perceived obligations to one's employer, lowered citizenship behavior, and reduced commitment and satisfaction. The perception alludes to how big of a factor trust plays between a PCB and employee engagement. Psychological contracts entail what employees believe they are entitled to. Employees believe it is the employer's responsibility to make those things happen. The PCB itself is a subjective experience based on the employees' perception of those actions within a certain social context. The study of Robinson, Kraatz, and Rousseau found there to be a negative correlation with various workplace behaviors, noticing that employees who experience a PCB contribute less to the firm.

In her study, Robinson (1996) tested four hypotheses with the data that she collected from the 125 employees who did not leave or get fired from that company over that period of time. The

PCB was measured using a scale that graded each employee's responses to questions about trust correlating to PCB and employee engagement. This information was collected over three time periods. The data was quantified, "If an item was perceived to be highly obliged at T1 (a score of 5) and was perceived to be not fulfilled at all at T2 (a score of 1), it resulted in a high breach discrepancy ($5 - 1 = 4$). Conversely, if an item was perceived to be not obligated at T1 (a score of 1) yet well fulfilled nonetheless at T2, it resulted in a high fulfillment discrepancy ($1 - 5 = -4$). As a final example, an item not perceived promised at T1 (a score of 1) and not fulfilled at T2 (a score of 1), yielded no discrepancy ($1 - 1 = 0$)" (Robinson, 1996, p. 582). In hypotheses three and four, Robinson predicted that the relationship between PCB and employee engagement would be influenced by unmet expectations and trust. The data collected demonstrates that the independent variable (PCB) related to the three dependent variables (performance, civic virtue, and intentions to remain), which makes up employee engagement, is independent from the mediator (trust).

The results show that trust helps mediate the relationship between PCB and employee engagement, especially when it is established upon initial employment. For example, employees with low prior trust were more likely to blame their employer for the perceived breach than those with high prior trust. From this it can be concluded that without a strong sense of trust there will be a negatively correlated relationship between PCB and employee engagement.

In another study, Mishra, Sovanjeet, Kumar, and Pavan (2017) look at the impact of the psychological contract on turnover intention in the insurance sector of India. This sector happens to be heavily affected by high employee or agent turnover. In the study, "Psychological contract,

work culture, workforce diversity is considered as the independent variable and turnover intention, work engagement, trust and job satisfaction as dependent variable” (Mishra, Sovanjeet, Kumar, Pavan, 2017, p. 68). The research goes on to test its first hypothesis that the psychological contract will be positively related to job satisfaction. This hypothesis looks at the relationship between the psychological contract and work engagement. The psychological contract can be a predictor of the employee’s level of engagement. When there is a strong initial feeling of trust between two parties, then the psychological contract will be positively related to job satisfaction. In the terms of this study, there is a lower turnover rate because employees are not leaving due to high levels of satisfaction.

A study conducted by Malik and Khalid (2016) ponders the extent that trust mediates PCB and employee engagement within the banking industry of Pakistan. The researchers took a sample of 302 employees from both private and public banks in Lahore, Pakistan. The purpose of the research is to provide empirical evidence about the level of engagement amongst employees, as well as its dynamics with psychological breach and turnover intention. Their second hypothesis out of the four they tested wanted to see if, “There is negative relationship between psychological contract breach and work engagement” (Malik, Khalid, 2016, p. 45). Work engagement is characterized by vigor, dedication, and absorption and can be affected by a perceived psychological contract violation. After the researchers collected their results they looked at the regression analysis of the data and were able to reassure their hypothesis, “Psychological contract breach was negatively related to work engagement ($\Delta R^2 = 0.57$, $\beta =$

-0.84, $p < 0.05$) (H2 supported)” (Malik, Khalid, 2016, p. 47). When there is a PCB, employee engagement with their assigned work is lowered, as is trust for both parties.

Without the mediation of trust, the relationship between PCB and employee engagement is negatively correlated. All of the studies have helped show how important the mediation of trust is in comparison to both factors. When trust among employers and employees is not there, then the relationship between both factors is weak. In addition to this, a strong relationship between employees and employers is a sign of a positive work environment.

3. What is the effect on productivity when there is a psychological contract breach that lowers employee engagement?

In the article by Chao, Cheung, and Wu (2011), it is stated that PCBs would lower employees’ satisfaction and commitment towards their job and organization, ultimately, leading to counterproductive workplace behavior (CWBs). These behaviors may include absenteeism and inattention to quality which would affect the productivity of the organization. Employees are more likely to be more engaged if they are committed to both the work they do and the organization they work for. In response to PCBs, employees will exhibit CWBs. In this case, the researchers found that employees may attempt to get revenge for PCB by decreasing their overall productivity in the workplace (2011). In the paper “Benevolent Leadership and Psychological Well-Being:...” it is stated that PCB can lead to a decrease in employees’ well-being.

Psychological Safety (PS) also plays a role in an employee’s overall well-being.

In the study by Chao, Cheung, and Wu (2011), their primary objective was to determine the effect of PCB on CWB. The data was collected from 131 full-time office employees in China. A series of questions measured how often the company met its promises, and what kind of actions employees took. The researchers found that there was a significant positive correlation between PCB and CWB. If employees believe that there was a breach in psychological contract or that it was intentional, then they will engage in more undesirable behaviors. These behaviors may include decreased effort in the workplace. In the study, it was found that the top five CWBs were, “‘Conduct personal business during work time’ (78.6%), ‘Spend time on the Internet for reasons not related to work’ (64.9%), ‘Making personal photocopies at work’ (63.4%), ‘Using email for personal purposes’ (60.8%), and ‘Taking a long lunch or coffee break without approval’ (60.3%). The least reported CWBs were ‘Taking cash or property belonging to the company (14.5%), ‘Verbally abusing supervisor’ (13.7%), and ‘Arguing or fighting with supervisor’ (6.9%)” (Chao, Cheung, Wu, 2011, 769).

Erkutlu and Chafra (2016) studied 1,009 employees, along with their superiors, from 23 five-star hotels in Turkey, focusing on the role of PS and PCB between employees and managers. This study found that there was a positive correlation between PS and employees well-being making an association between PS and PCB. PS involves employees being comfortable enough to be themselves and share their thoughts within the workplace. According to the researchers, in a PS environment employees feel free to express concerns, self-doubt, and their need for learning in order to perform effectively. Employees who perceive high levels of PS are more likely to trust their leaders, think outside of the box, and voice their opinion. On the contrary, when employees

perceive low levels of PS, employees will be reluctant to voice their opinion and less likely to seek help completing a task when needed. In a low PS environment employees will have feelings of uncertainty which will distract employees from focusing on their task (Benevolent leadership, 2016).

Implications

1. A way to avoid Psychological Contract Breach is to minimize the number of behaviors that are left to the interpretation of the employee. This can be done through open communication in the workplace. If communication channels are open there will be less room for interpretation because clarity can be achieved at any time. Employers should also lay down their expectations and state behaviors that are and are not acceptable immediately after hiring. They should strive to include as many specific behaviors as possible. Minimizing contract breach can be done with the help of the handbook the employee is given, as well as in a presentation during orientation. The expectations employers should include can be as simple as showing up to work on time or how to interact with coworkers and managers. These are things that are most likely left out of contracts and handbooks because they seem intuitive. However, if the terms and rules are not explicitly written down it is left to the interpretation of the employees, which can be very different from the employer's interpretation. Not everyone thinks or acts the same, which can cause problems in the workplace and lead to a lack of employee engagement. It is important for an employer to state any and all expectations, even if they seem to be common sense. This is why we recommend all employees receive a copy of the handbook and a welcome presentation when they are first hired. Anything that these do not specifically address, or do not address clear enough, should be dealt with through active and open communication.

2. Both employees and managers should have emotional intelligence and should be trained

to use emotional regulation techniques. Emotional intelligence (EI) is important for both managers and their employees to have because it is necessary for them to be in control of their own emotions. It is also important for a manager to recognize how their emotions are coming across and be able to control them in a stressful situation. This makes up the EI component of self-awareness. Having a strong hold on one's emotions, or in EI terms, being able to self regulate, can prevent a PCB from occurring. From a manager's point of view, their own emotional regulation affects his/her relationship with employees, and also covers their ability to respond to perceived psychological breaches properly. Being able to separate your emotions from the situation at hand and viewing it in an unbiased light helps avoid PCB. In addition to being aware of your emotions and how they may affect your counterparts, it is important for managers and employees to take note of their social skills. Both managers and employees should be aware of their nonverbal communication, like body language, and how it may affect the message they are trying to get across. Both parties should also strive to have strong active listening skills, providing feedback to the messenger. Providing feedback can lead to clarity about what is and is not acceptable in the workplace. Active listening can help avoid PCB by keeping both sides fully aware of what is going on. In addition to this, it is particularly important for the manager to be empathetic with their employees. Being able to understand how your employees are feeling can help you better understand what they need, and on the other hand, being able to understand what your boss is feeling can help you to understand why they acted the way they did. Lastly, it is important to be motivated as a manager, because if you do not come across as such, then your employees will not reflect motivation back. A lack of motivation in the

workplace will lead to a lack of understanding of the task at hand, potentially causing PCB. We recommend that managers take courses to strengthen their EI and emotional regulation techniques, as well as require their employees to go through similar training.

3. Managers should attempt to build trust from the start in order to combat the degree of Psychological Contract Breach. They can do so by building a positive work environment and by establishing open channels of communication. Building a positive work environment can include creating a support system for employees, as well as a rewards system. Both systems establish a relationship between the employer and employees. If an employee feels supported and rewarded for their work, then they are more likely to trust their boss and have increased organizational commitment. A support system can include using positive reinforcement through encouragement. The rewards system can include additional vacation days for a job well done. Managers can also use open communication in the workplace to create a positive environment. If employees feel that they can speak freely and are being heard, then they are again more likely to trust their employer. Being able to speak directly to your boss without fear builds a better, more trusting relationship. Having open communication channels also makes it easier to deal with issues not listed in the employee handbook. Building trust is a simple way to ensure loyalty if a PCB does occur. We recommend that managers aspire to make a happy and healthy work environment for all from the very beginning.

Conclusion

Psychological Contract Breaches affect employees with higher levels of social exchanges and commitment to the company significantly more than employees with low levels of social

exchanges and commitment. Perceived organizational support is positively related to work performance. However, when there is a PCB against these employees with high perceived organizational support, the employees exhibit feelings of betrayal from the company. This results in dramatically lower levels of work performance as they feel more hurt than employees that do not have a high level of commitment to the company. In addition to this, employers who are not trustworthy are both less likely to be trusted by their employees and more likely to actually breach a contract with an employee. This lack of trust results in decreased employee engagement from the very start. If there is no trust, then a relationship cannot be built between the two parties and the employee will have no sense of obligation to the employer. The selective attention bias may also play a role in PCB and trust. The more an employee trusts their employer, the more likely they are to overlook a breach in contract. This is because they are only paying attention to information that suits their pre-existing beliefs. Trust influences employee perception of a firm, as well as of a PCB. When there is a PCB that lowers employee engagement, productivity severely decreases. The findings from the research by Li, Wong, and Kim (2018) suggest that when there is a PCB, it breaks the employee-employer relationship. This leads to a decrease in productivity. To avoid this, the obligations set need to be clear and have actionable terms. Along with this, the employer should not make any unrealistic promises before hiring someone. If the promises are unrealistic, this will set a negative tone and in turn normalize PCBs.

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Appendix

Authors: Erkutlu, Hakan, & Chafra, Jamel.
Article Title: Benevolent Leadership and Psychological Well-Being
Journal Name: *Leadership & Organization Development Journal*,
Year: 2016

Purpose

The purpose of this paper is to examine the relationship between Benevolent Leadership (BL) and Psychological Well-Being (PWB) as well as to test the moderating roles of Psychological Safety (PS) and Psychological Contract Breach (PCB) on that relationship.

Design/methodology/approach

Data encompasses 1,009 employees from 23 five-star hotels in Turkey. The moderating roles of PS and PCB on the BL and PWB relationship were tested using the moderated hierarchical regression analysis.

Findings

The moderated hierarchical regression analysis results reveal that there was a significant positive relationship between BL and employee PWB. In addition, the positive relationship between BL and well-being was stronger when PS was higher than when it was lower. On the contrary, high-PCB weakened the positive relationship between BL and PWB.

Practical implications

This study showed that both PS and BL enhance well-being. Managers could promote PS by breaking down the barriers preventing effective communication and discussion. Moreover, the results of this study indicated that the state of the psychological contract is a significant predictor of employees' well-being. Organizational practices and policies, especially human resource practices, should be carefully designed and implemented as to prevent PCB, an important source of employee dissatisfaction and distrust.

Originality/value

The study provides new insights into the influence that BL may have on PWB and the moderating roles of PS and contract breach in the link between BL and employee well-being. The paper also offers a practical assistance to employees in the hospitality industry and their leaders interested in building trust and enhancing well-being.

Introduction

Leadership style is an important management tool because, if used properly, it can enhance positive relationships with employees, improve the organizational climate and increase service performance (Kozak and Uca, 2008). Effective leaders provide guidance that encourages employees to take ownership of tasks, to think outside the box to solve business problems, and to make decisions that can enhance the good of the team and company (Bennett, 2009; Kara et al., 2013). Like other business companies, hospitality companies should embrace the importance of

leadership and apply its principles to enhance employees' well-being. *Leadership & Organization Development Journal* Vol. 37 No. 3, 2016 pp. 369-386 © Emerald Group Publishing Limited 0143-7739 DOI 10.1108/LODJ-07-2014-0129 Received 19 July 2014 Revised 12 January 2016 13 January 2016 Accepted 14 January 2016 The current issue and full text archive of this journal is available on Emerald Insight at: www.emeraldinsight.com/0143-7739.htm

369 Moderating effects of PS and PCB The prevalence of psychological well-being (PWB) in the hospitality industry is increasing (Pienaar and Willemse, 2008). Since PWB has major significance for both employees and organizations, it is important to continue searching for mechanisms that increase its positive effects on employees' physical and psychological health, emotional stability and sense of adequacy (Kara et al., 2013) which, in turn, will positively affect the working relationship with other colleagues and, could well promote and enhance the service quality in the hospitality sector. Research also suggests that employees' PWB levels arising from their work environment and personal lives are interrelated (Chiang et al., 2010). In the health promotion literature, Rhoades and Eisenberger (2002) as well as Schepers et al. (2008) advocate social support and psychological safety (PS) as approaches to PWB. This approach elucidates that individuals who perceive high levels of social support and PS are better able to select the best available coping means and have high level of PWB. Another concept that is related to PWB is psychological contract. Research on psychological contract breach (PCB) found that it had a strong negative effect on job satisfaction, PWB and a strong positive influence on burnout and cynicism (Tekleab et al., 2005; Johnson and O'Leary-Kelly, 2003). As perceptions of PCB increased, employees reported high-emotional exhaustion and depersonalization along with a lower sense of personal accomplishment — the three components of burnout and lower PWB (Zhao et al., 2007). The aim of this study is to examine the moderating effects of PS and PCB on the relationship between perceived benevolent leadership (BL) and PWB in the hospitality industry. This study makes several contributions to the literature. First, it is a response to the call for more research on organizational and interpersonal factors that may serve as moderators, buffers or even antidotes to PWB and its effects (Vondey, 2010). Second, given that psychological factors are central to most models of PWB (Hansen et al., 2012), it is important to examine the direct and moderating effects of psychological factors in a single study. Therefore, the pursuit of the identification of the major psychological variables leading employees to high-PWB may give us some concrete ideas in terms of possible remedies for both employees and organizations in the hospitality industry. Figure 1 summarizes the theoretical model that guided this study.

Moderating roles of PS and PCB

Psychological safety refers to members' perception of an interpersonal context in which they "are comfortable being themselves" (Edmondson, 1999, p. 354). In a psychologically safe environment, unit members feel free to express concerns, self-doubts and their needs for learning in order to perform effectively (Kahn, 1990, p. 708). Members believe that they can speak up and inquire about a failure without repercussions from other unit members or the leader and this is essential for units to learn from their failures. A PS climate is expected to encourage higher levels of employees' well-being than unsafe work climate because PS makes employees feel comfortable, free from external controls or constraints and engage them in more voice behavior (Burke et al., 2006; 371 Moderating effects of PS and PCB Kim et al., 2009). Employees who perceive high levels of PS are, thus, more likely to engage in voice behavior, trust in leader, risk

taking and alternative thinking, all of which are expected to foster PWB (Edmondson, 2003). In this study, we propose that PS moderates the relationship between BL and PWB. When an employee's perception of PS is high, the impact of BL on well-being is likely to be stronger. High levels of PS allow employees to feel confident so that their behaviors, such as voice up and self-expression, are safe. In such a work environment, it would be possible for managers' to use BL in a more efficient way which, in turn, cause employees to perceive higher levels of PWB (Singh et al., 2013). On the contrary, in an environment characterized by low levels of PS, employees are afraid to speak honestly and may feel reluctant to engage in task-related behaviors, such as asking for resources to complete a task, asking questions, seeking feedback and reporting a problem or a mistake (Kark and Carmeli, 2009). Moreover, the fear and uncertainty that may be present in psychologically unsafe environment may distract employees from focussing on their tasks. Subordinates perceiving a low-PS are not highly sensitive to contextual supports for (or threats to) their well-being (Farmer et al., 2003) so that they do not tend to treat high levels of BL as an important support for their well-being. They do not enjoy utilizing their leader's benevolence to perceive more well-being because, doing so, does not fulfill their need for voice behavior and trust in leader (McCall and Simmons, 1978; Riley and Burke, 1995). Thus, a strong, positive relationship is expected between BL and the well-being of subordinates high in PS: H2. Psychological safety moderates the positive relationship between BL and employees' well-being in such a way that the relationship is stronger when PS is high than when it is low. Psychological contract has been defined by Rousseau (1989) as the employees' belief about the terms of the reciprocal exchange agreement that exists between themselves and their organizations. Very few studies to date have explored the psychological contract in a hospitality setting (Blomme et al., 2010; Kelley-Patterson and George, 2001; Lub et al., 2012). When the organization does not fulfill its obligations, employees may experience PCB. Contract breach is defined as the cognitions of an employee that the organization has failed to deliver its obligations (Morrison and Robinson, 1997). An affective reaction may follow, including feelings of anger and betrayal (Bal et al., 2008; Robinson and Morrison, 2000). Previous research on psychological contracts has indicated that contract breach has a profound impact on job attitudes (Bal et al., 2008; Conway and Briner, 2005; Lub et al., 2012; Zhao et al., 2007). When organizations break psychological contracts, employees' trust in their organization is harmed. Furthermore, organizational failure to deliver its obligations is also associated with a decrease in job satisfaction and commitment to the organization. Zhao et al. (2007), in their recent meta-analysis on the relations between PCB and outcomes, employed affective events theory to explain the relations between psychological contracts, attitudes and behaviors. According to affective events theory, a negative event at the workplace causes negative emotional reactions, such as anger or frustration (Morrison and Robinson, 1997; Weiss and Cropanzano, 1996). These emotions affect the cognitive evaluation of one's job, in such a way that experience of negative emotions will cause more negative job attitudes (Thoresen et al., 2003). Previous research has confirmed this link between negative emotions and job attitudes by showing that negative emotions are related to decreases in trust (Dunn and Schweitzer, 2005), job satisfaction (Judge and Ilies, 2004) and commitment (Thoresen et al., 2003). On the other hand, positive emotions will affect evaluations of the job in a positive way, such that people experience higher trust, satisfaction and commitment. Zhao et al. (2007) argue that, in particular, PCB is perceived as such a negative event. Thus, contract breach leads to affective reactions, which, in turn, contribute to the establishment of job attitudes. However, it is not

always clear why and how employees come to perceive something as a negative event. Social exchange theory provides an explanatory framework of the processes that lead employees to perceive a negative event and, hence, PCB. According to social exchange theory, people engage in interactions with other people because they are motivated by the expectation of receiving inducements in return from the other party (Blau, 1964; Gouldner, 1960). Social exchange involves series of interactions (such as incentives from the employer and contributions from the employee) between two parties (Cropanzano and Mitchell, 2005). Each party acts according to the norm that the other party will reciprocate such actions, creating mutual obligations over time. If one party does not reciprocate, an imbalance is created between the contributions of the two parties (Cropanzano and Mitchell, 2005). If employees perceive that their employer has not reciprocated their contributions, they will respond with emotional reactions such as anger and frustration, in line with affective events theory. Furthermore, employees may restore the balance in social exchanges by lowering their trust, job satisfaction and commitment (Taylor and Tekleab, 2004). According to Taylor and Tekleab (2004), social exchanges and reciprocity play a critical role in the psychological contract because mutual obligations, as social exchanges, form a psychological contract. Shore and Barksdale (1998) found that imbalances between employee and employer obligations resulted in a lower affective commitment than in a balanced situation, especially when it involved mutually high obligations (Bal et al., 2008). Not receiving anything in return for contributions to the organization will, therefore, be perceived as a negative event. Subsequently and in accordance with affective events theory (Blau, 1964; Taylor and Tekleab, 2004), contract breach as an imbalance in social exchange will affect job attitudes. As a result, employees respond to contract breach by lowering their trust in leaders, job satisfaction and commitment to the organization. Trust in leaders and job satisfaction positively affect employees' PWB by limiting the perceived level of risk, vulnerability and stress, all of which could have detrimental effects on well-being (Kelloway et al., 2012; Schabracq et al., 1996). Employees who distrust their leaders and are dissatisfied with their jobs consume their cognitive and emotional energy in attempting to safeguard themselves from these leaders and jobs, depleting their emotional and physical resources in the process, which, in turn, lead to low level of employee well-being. Based on the above research, it is expected that PCB moderates the relationship between BL and employees' well-being: H3. Psychological contract breach moderates the positive relationship between BL and employees' PWB in such a way that the relationship is weaker when PCB is high than when it is low.

Method

The sample of this study included 1,009 employees along with their superiors from 23 five-star hotels in Turkey. These hotels were randomly selected from a list of all 398 five-star hotels in the country (The Ministry of Culture and Tourism, 2013). A cluster random-sampling method was used to select the sample. In this sampling method, first, all the five-star hotels in Turkey were stratified into seven strata according to their geographic regions. Then, hotels in each stratum were proportionally selected by a cluster random sampling; employees working at the selected hotels comprised the study sample. This study was completed between September 2013 and November 2013. Participants were told that the study was designed to collect information on the BL and their well-being perceptions in the hospitality workforce. They were given confidential assurances and told that participation was voluntary.

Results

Due to the fact that the data for this study were collected using a single survey instrument, we performed a Harman one-factor test to evaluate whether common method bias influenced our results (Podsakoff et al., 2003). This procedure involves performing a factor analysis on the study variables using principal axis factoring to determine whether the method factor (the first factor) accounts for a disproportionate amount of variance (Fabrigar et al., 1999). This analysis produced a four-factor solution based on the eigenvalue > 1.0 criteria using varimax rotation. The method factor accounted for 19.96 percent of variance. This falls below the cutoff of 25 percent identified by Williams et al. (1989), suggesting that common method variance did not substantially influence the results.

A confirmatory factor analysis (CFA) on the four constructs of BL, PWB, PS and PCB was performed to measure the internal consistency reliability, convergent validity and discriminant validity of the constructs in the proposed model (see Table I). The results revealed that the composite reliability (CR) of each construct ranged from 0.86 to 0.94, exceeding the 0.60 CR threshold value, and giving evidence of internal consistency reliability (Bagozzi and Yi, 1989; Fornell and Larcker, 1981). In addition, the factor loadings of the individual items in the four-factor model were all significant (all $p < 0.001$), indicating preliminary evidence for the convergent validity of the measurement model. Meanwhile, the average variance extracted (AVE) of all constructs ranged from 0.59 to 0.66, exceeding the 0.50 AVE threshold value (Bagozzi and Yi, 1989; Fornell and Larcker, 1981). Thus the convergent validity was acceptable.

Table II presents the fit indexes of the proposed model in the CFA. As shown in Table II, the results of the proposed four-factor structure BL, PWB, PS and PCB demonstrated good fit with the data ($\chi^2 (266.73, n = 1009)/df(96) = 2.78$, CFI = 0.96, RMSEA = 0.04). Against this baseline four-factor model, we tested three alternative models: Model 1 was a three-factor model with PWB merged with BL to form a single factor; Model 2 was another three-factor model with PWB merged with PS to form a single factor; and Model 3 was a two-factor model, with BL merged with PWB and PS to form a single factor. As shown in Table I, the fit indices support the proposed four-factor model, providing evidence for the construct distinctiveness between BL, PWB, PS and PCB.

Table III shows the means, standard deviations and correlations for the study variables. H1 was tested with hierarchical regression analysis (Table IV). In Step 1, the control variables were entered and in Step 2, BL. As can be seen in the section of the table showing the values yielded by Step 2, BL was significantly, positively related to PWB ($\beta = 0.31$, $p < 0.001$), a finding that supports H1.

The H2 and H3 in the study were tested by using moderated hierarchical regression, according to the procedure delineated in Cohen and Cohen (1983). The significance of interaction effects was assessed after controlling all main effects. In the models, gender, age and job tenure were entered first as control variables; BL, predictor variable, was entered in the second step; the moderator variables (i.e. PS and PCB) were entered in the third step; and the

interaction terms, in the fourth step. In order to avoid multicollinearity problems, the predictor and moderator variables were centered and the standardized scores were used in the regression analysis (Aiken and West, 1991). As can be seen in Step 4 results from Table V, the interaction effect for BL and PS was significant for PWB, supporting H2 ($\beta = 0.33$, $p < 0.001$). H3, which states that PCB moderates the relationship between BL and PWB, received strong support (see Table V). The interaction effect for BL and PCB was significant for PWB ($\beta = 0.22$, $p < 0.01$). Figures 2 and 3 graphically show the interactional BL – PWB relationship as moderated by PS and PCB, for which high and low levels are depicted as one standard deviation above and below the mean, respectively. As predicted, when employees perceived high levels of PS, the relationship between BL and employees' well-being was stronger. On the contrary, it was found that PCB weakened the positive relationship between BL and well-being. As presented in (Figure 3), the positive relationship between BL and well-being was less pronounced when an employee's perception of PCB was high.

Discussion

The results of this study revealed that both PS and PCB moderated the positive relationship between BL and employee well-being. These findings are consistent with previous research suggesting that PS (Singh et al., 2013; McCall and Simmons, 1978; Riley and Burke, 1995) and PCB (Bal et al., 2008; Conway and Briner, 2005; Zhao et al., 2007) have moderating effects. In this study, employee's perception of PS was positively and significantly associated with employee's well-being. In order to enhance employees' well-being, managers need to be aware of employees' expectations, focus on building trust and loyalty and devise ways to improve communication. Moreover, managers should recognize and reward employees for their success and contributions and should involve employees more in solving job-related problems and making decisions. On the other hand, an employee's perception of PCB may decrease his/her well-being in a hotel. When the organization does not fulfill its obligations vis-à-vis its employees, they may experience PCB. An affective reaction may follow, including feelings of anger, betrayal (Robinson and Morrison, 2000), lower trust, job satisfaction and commitment to the organization (Zhao et al., 2007). Similarly, employees may perceive insufficient social support in an organization with high PCB. These perceptions, in turn, may lead to lower employees' well-being. The results in this study suggest that researchers should continue to investigate psychosocial and contextual factors such as person-job fit (Vigoda-Gadot and Meiri, 2007), organization structure and size (Perry et al., 1994), organizational politics (Davis and Gardner, 2004) and a leader's power bases (Perry et al., 1994; Davis and Gardner, 2004), in unveiling perceptions and behaviors. It is plausible that PS and PCB were relevant interpersonal variables in this setting because they were the main sources of macro variation across hotels in the study. In other words, the findings in this study may be sample-specific and in need of replication. In different settings, other contextual factors, such as organizational structure or human resource practices, might become relevant. In developing theoretical explanations for the

roles of interpersonal and contextual factors, researchers are encouraged to consider aspects of the organizational context that are most important to the population under investigation. Identifying contextual factors affecting employees' well-being seems to be a promising research area.

Authors: Sovanjeet Mishra; Pavan Kumar
Journal Name: Romanian Economic and Business Review
Article Title: Exploring the Nexus between Psychological Contract and Turnover Intention: Conceptual Framework
Year: 2017

Abstract

The present study investigates the impact of psychological contract on turnover intention in the insurance sector of India which is heavily affected by high employee or agent turnover. This research clarifies the paucity of literature related to psychological contract in Indian insurance industry. Psychological contract, work culture, workforce diversity is considered as the independent variable and turnover intention, work engagement, trust and job satisfaction as dependent variable. A model is proposed which explores the relationship between psychological contract, turnover intention, and work engagement and it is mediated by job satisfaction. Further, relationship between work culture and job satisfaction; workforce diversity and job satisfaction has been studied. The methodology adopted for this study is literature search. On the basis of the literature search and proposed model it is concluded that a fulfilled psychological contract would result in reducing employee turnover. Limitations and Implications are discussed in detail.

Methodology

On the basis of the review of the literature and formulated hypothesis, it was found that a positive relationship exists between psychological contract and job satisfaction; psychological contract and trust; psychological contract and work engagement. But a negative relationship exists between psychological contract and turnover intention. Similarly, it was found out that a positive relationship exist between trust and job satisfaction; trust and work engagement & a negative relationship exists between trust and turnover intention. It was also found out that a positive relationship exist between work engagement and job satisfaction whereas, a negative relationship exists between work engagement and turnover intention. Negative relationship exists between job satisfaction and turnover intention. Further, it was found that work culture is positively related to job satisfaction whereas, work diversity is negatively related to job satisfaction. Finally, it was found that job satisfaction act as a mediator for relationship between psychological contract and turnover intention; psychological contract and work engagement; work engagement and turnover intention.

Authors: Joe M.C Chao, Francis Y.L Cheung, Anise M.S Wu
Journal Name: The International Journal of Human Resource Management
Article Title: Psychological Contract Breach and Counterproductive Workplace Behaviors: Testing Moderating Effect of Attribution Style and Power Distance.
Year: 2011

Psychological contract is an individual's expectation toward another party for the mutual exchange agreement (Rousseau 1989). It is a reflection of the employment relationship in the organization (Herriot, Manning and Kidd 1997; Morrison and Robinson 1997). Research shows that Psychological Contract Breach (PCB) would lower employees' satisfaction and commitment toward their job and organization (Knights and Kennedy 2005; Bal, De Lange, Jansen and Van Der Velde 2008). Furthermore, it would lead to Counterproductive Workplace Behaviors (CWBs), such as absenteeism and inattention to quality, which would hamper the productivity of organizations. With only rare exceptions (Restubog, Bordia and Tang 2007; Bordia, Restubog and Tang 2008), there is a paucity of studies that systematically examine the association between PCB and CWB as well as potential factors that might moderate the above relationship. In this study, we examined the impact of PCB on CWB among Chinese employees in Macao. In addition, we examined two sets of individual factors, namely attribution styles and power distance (PD), in moderating the relationship between PCB and CWB.

CWB and PCB

CWB refers to deviant work behavior which is intentionally acted by the employees to violate the disciplines of the organization and harm the well-being of its members (Sackett and Devore 2001). CWB has attracted much attention because of its cost to organizations. For example, it is estimated that the misuse of Internet by employees at workplace costs 85 billions a year for American business (Latto 2007), and companies lost 120 billions from workplace violence (Matchulat 2007). In Hong Kong, one-third of employees took company supplies for personal use which creates loss to companies (Kwok, Au and Ho 2005). Recently, some studies report the significant relationship between PCB and CWB (Fox and Spector 1999; Marcus and Schuler 2004; Hershcovis et al. 2007). On the basis of the equity theory, when employees believe that the psychological contract is breached, they may want to regain the equity by performing misbehaviors, such as being absent from work or taking away company supplies. Empirical findings support the significant relationship between PCB and the negative emotional experience, such as anger and frustration (Robinson and Morrison 2000), which trigger CWB (Martinko, Gundlach, and Douglas 2002). Carrell and Dittrich (1978) also suggested that when employees perceive PCB, they would feel uncomfortable and have an urge to restore the unfair situation, such as devoting less effort to lower their cost or taking the property from the organization to increase its cost.

Method

Participants and Procedure

Chinese full-time office employees working in Macao were recruited in this study. A total of 238 questionnaires were distributed and 131 valid questionnaires were returned. The response rate was 55%. The demographic compositions of the respondents are shown in Table 1. Among the respondents, 58% were female, 27% reached secondary high school level, and 55% obtained bachelor's degree. The mean age was 28.8 years ($SD = 6.49$). Tenure in the present organization of the respondents was from 0 to 405 months, with a mean of 41 months. The majority of respondents were working in the gambling industry (29.8%), financial intermediation (30.5%), and other industries including construction (6.9%), wholesale and retail trade (4.6%), restaurant activities (5.3%), real estate (1.5%), transport, storage, and communications (6.9%), and others (13.7%).

Psychological Contract Breach

We adopted the measurement used in the study of Lester et al. (2002). First, the participants were presented 18 items in six areas (benefit, pay, advancement, opportunities the work itself, resource support, and a good employment relationship) in terms of the fulfillment of the psychological contract. Participants were required to rate '0' when they perceived that the organization has never promised them on the listed areas. For the item(s) that the participants perceived the organization has promised them, they were asked to rate the amount they received from their organization compared with the amount that the organization had committed to provide to them. Sample item was 'how the amount of job challenge you had actually received compared with the amount that the organization had committed to provide you.' Participants were asked to rate on a five-point scale ranging from 1 as 'received much less than promise' to 5 as 'received much more than promises.' Higher scores on this scale representing the organization are able to fulfill the contract originally. For the ease of the analysis process, the scores were reversely recoded, so that the higher scores represent the higher breach that the respondents perceived. The mean of the PCB was computed based only on the items that the respondents perceived the organization has ever promised to them. The Cronbach's alpha in this study was 0.90.

Counterproductive Work Behaviors

We adopted the CWB inventory developed by Gruys and Sackett (2003). The inventory consisted of seven categories of CWBs within two dimensions: Interpersonal–organizational dimension and task-relevant dimension. Organizational dimension and task-relevant dimensions were examined. Interpersonal dimension was focused on CWB against supervisor. Since the original inventory from Gruys and Sackett (2003) included the comprehensive items to measure CWB for different industries, considering the characteristics of the respondents, the author selected the items that were office related from this inventory. As a result six categories, theft and related behavior, misuse of information, misuse of time and resources, poor attendance, poor quality work, and inappropriate verbal actions, with 20 items were selected for this study to measure employees' CWB engagement. The original Cronbach's alphas in the domains chosen by this study from this inventory ranged from 0.71 to 0.90. All items are scored on a four-point

frequency scale ranging from never to often. Higher score represents high frequency of engaging in CWB. The Cronbach's alpha of the scale was 0.91 in this study.

Discussion

The primary objective of this study was to examine the association between PCB and CWB among Chinese office employees. In line with previous studies (Marcus and Schuler 2004; Hershcovis et al. 2007), we found that there was a significant positive correlation between the PCB and CWB. In other words, when employees believe that the mutual exchange relationship is disrupted, they would engage more organizational undesirable behaviors. This finding confirms the social exchange theory, which postulates that whenever employees perceive that they do not obtain the reciprocal return from the organization, they may engage more CWBs in return to restore the reciprocity.

We further examined whether causal attribution and PD moderated the contract breach–CWB association. Hierarchical regression analyses showed that attribution to disruption was a significant moderator. In particular, when employees perceived the contract breach, the more they perceived that the cause was something beyond the control of the organizations, the fewer the employee would engage in CWB. This finding suggested that how employees perceive and attribute to the organizational failure to uphold the contract plays a significant role of their future behaviors. A possible underlying mechanism was when employees perceived that the breach was intentional to cause harm to them, they would experience much anger and frustration, in which these emotional experience would trigger higher CWBs (Martinko et al. 2002)

We also found that PD moderated the association between PCB and CWB. In particular, when employees perceived that the psychological contract was violated, employees who were low in PD tended to engage more CWBs than their counterparts who were high in PD. As discussed, employees with high PD tend to accept the unequal distribution within the organization (Rhoades and Eisenberger 2002). Thus, when they perceive that the contract is not being fulfilled, they would be more likely to accept the treatment. On the basis of the social exchange theory, employees with high PD are less reliant on the reciprocity within the employee–employer relationships (Rhoades and Eisenberger 2002). Therefore, they are less likely to be motivated to restore the reciprocity caused by the PCB. However, employees with low PD will expect reciprocity from the organization and they are less willing to accept arbitrary treatment from their superiors or organizations (Lam, Schaubroeck and Aryee 2002). Therefore, when they perceived that the contract was breached, they would engage more in CWB in order to restore the reciprocity. In general, our result echoed earlier research (Brockner et al. 2001) which shows that social exchange theory explanations for employee behaviors are less applicable to employees with high PD. In our study, the construct of PD was measured at the individual level. In order to fully understand how PD affects the PCB and CWB, it would be theoretically important to examine this construct at cultural level as well (Thomas, Au and Ravlin 2003). Therefore, future studies can adopt cross-cultural analysis to confirm the role of PD.

Authors: Matthijs P. Bal; Dan S. Chiaburu; Paul G. W. Jansen
Journal Name: Journal of Managerial Psychology
Article Title: Psychological Contract Breach and Work Performance: Is Social exchange a buffer or an intensifier?
Year: 2010

Abstract

The aim of this paper is to investigate how social exchanges modify the relationship between Psychological Contract Breach (PCB) and work performance. It aims to present two concurrent hypotheses, based on theoretical interaction effects of social exchanges (conceptualized as social exchange relationships, POS, and trust). Data were collected from a sample of 266 employees in a service sector company in the USA. Regression analysis was used to explore the moderating effects of social exchanges on the relationships between PCB and work performance (operationalized as in-role behaviors and organizational citizenship behaviors). It was found that the negative relationship between PCB and work performance was moderated by social exchanges, such that the relationship was stronger for employees with high social exchange relationship, perceived organizational support, and trust. The data were collected cross-sectionally, and thus causal inferences have to be made with caution. Moreover, the data were collected from a single source. The study shows that the relations between contract breach and outcomes are moderated by the existing relationship between employee and organization. Although organizations may invest in long-term relationships with their employees, PCB have a profound impact on work performance. Therefore, organizations should diminish perceptions of contract breach; for instance by providing realistic expectations. The paper provides new theoretical insights on how social exchange can have two distinct effects on the breach-outcomes relations. It shows that social exchanges moderate the relations between contract breach and work performance.

Literature

Although previous research has supported the relationship between Psychological Contract Breach (PCB) and various performance dimensions (e.g. Turnley et al., 2003), the processes through which contract breach leads to work performance has received less empirical attention. Since psychological contracts researchers use social exchanges between the employer and the employees as an explanatory framework, in the current study we examine breach processes from this perspective. Social exchanges (i.e. long-term state variables) between employee and organization may influence how perceptions of contract breach influence subsequent behaviors. Indeed, Aselage and Eisenberger (2003) proposed an integration of organizational support and psychological contract theories. Along similar lines, Guest (1998, p. 660) proposes to “switch the focus much more to issues such as trust, fairness and exchange”.

Study

This paper examines how the effects of PCB on job performance and Organizational Citizenship Behaviors (OCBs) are modified by several perceptions of social exchanges, including social exchange relationships (SER; Shore et al., 1999), Perceived Organizational Support (POS) (Eisenberger et al., 1986), and trust in the organization (Robinson and Rousseau, 1994). We

develop new theoretical insights on how social exchanges can either have a desensitizing (“buffering”) or sensitizing (“intensifying”) effect on the breach – performance relationship. We contribute to existing knowledge on the consequences of psychological contracts and their relationship with performance (e.g. Turnley et al., 2003) by examining theory-based and heretofore empirically unexamined interactions between contract breach and these forms of social exchange. Moreover, we contribute to existing research by focusing on social exchanges as moderators in the relationships with work behaviors, instead of investigating social exchanges as outcomes or predictors of PCB (e.g. Dulac et al., 2008; Tekleab et al., 2004).

Hypothesis 1a

PCB will be negatively related to job performance.

Methodology

We collected data from a service organization situated in the **Mid-Atlantic region of the USA**. In existence since the early 1970s, the company is functionally organized, with units responsible for specific market segments, supported by human resource, information technology, and other units. The organization has a well-developed internal labor market and predictable levels of growth from year to year. Stability in the organizational environment (e.g. an internal labor market with clear career paths for advancement) may increase the likelihood that employees expect support from the organization and engage in social exchanges to a greater extent than in other settings. For the same reason, employees may be more sensitive to PCBs or violations than in less stable organizational settings.

Study participants were in professional positions (administrative and operations), with more than 75 percent of them in non-supervisory jobs, including administrative assistants, analysts, engineers, and technical workers. Based on the O*NET system of job classification [42] Mumford and Peterson, 1999), employees were involved in tasks with moderate to high levels of autonomy and interdependence. We collected the data using self-report questionnaires, based on 266 employees who completed the survey (response rate of 53.2 percent). Of the **266 participants**, 79 percent were men, 69 percent had at least some college education, 81 percent were 30 years or older, 75 percent had worked for the organization for more than three years, and **82 percent had been on the current position for more than a year**. We were interested to measure both work performance and discretionary behaviors in the form of citizenship. Since PCB refers to organizational failure to meet its obligations, we expected that reactions to breach will predict organization-directed citizenship behaviors ([35] Lavelle et al. , 2007).

Results of Hypothesis 1

PCB is negatively correlated with both in-role behaviors ($r = -.19$, $p < .01$) and organizational citizenship behaviors ($r = -.20$, $p < .01$). Therefore, both H1a and H1b are supported.

Authors: Sania Zahra Malik and Nafeesa Khalid
Journal Name: Pakistan Economic and Social Review
Article Title: PSYCHOLOGICAL CONTRACT BREACH, WORK ENGAGEMENT AND TURNOVER INTENTION: Evidence from Banking Industry in Pakistan
Year: 2016

Abstract

Employees are one of the most important assets of an organization. In order to retain them, it is important to evaluate and analyze the exchange relationship of the employees and the organization, known as psychological contract. This study examines the impact of Psychological Contract Breach (PCB) on employees' turnover intention with the mediating role of work engagement. An empirical study has been conducted to test the main effects and mediating hypothesis through Hierarchical Multiple Regression. A sample of 302 responses has been collected from private and public banks of Lahore. The results indicate that a negative relationship exists between PCB and work engagement. Similarly, work engagement negatively correlates with turnover intention of employees. Work engagement partially mediates the relationship between PCB and employees' turnover intention. Therefore, if employees perceive PCB then it leads to low work engagement and high turnover intention.

PSYCHOLOGICAL CONTRACT

Psychological contract has attracted attention of researchers in understanding the employment relationships. In the past two decades, there has been numerous numbers of publications on the topic of psychological contract, which leaves the impression that it is a significant concept which needs to be studied. Also, there is a strong need to conduct national and cross-national researches as there can be a difference in levels of psychological contract within and across societies (Rousseau and Schalk, 2000). According to the Rousseau (1989, p. 124) psychological contract is "a mutual obligation existing at the level of the relationship (e.g. dyadic, interorganizational)". This is quite obvious that sometimes organizations are unable or unwilling to meet the obligations or promises made to the employees, resulting in the breach of the contract and known as psychological contract breach. Robinson and Morrison (1997, p. 230) describe that psychological contract breach occurs when, "... one's organization has failed to fulfill one or more obligations composing one's psychological contract." In literature, several studies, such as Suazo (2009) and Zhao et al. (2007), have highlighted the outcomes of psychological contract breach. According to these studies, there are high possibilities that when organizations or workplace do not fulfill employees' expectations, they are unsatisfied with their job. In the past, researchers have given attention to the construct of psychological contract breach (Morrison and Robinson, 1997; Zhao et al., 2007). According to Morrison and Robinson (1997), there is vagueness about foundation of the psychological contract breach in existing literature. At one end, psychological contract breach is considered to be perception of employees that organization is unable to fulfill their promises and obligations which are implied through psychological contract. Alternatively, it is referred as the emotional and affective state in which it goes beyond the cognition state of not fulfilling the promises or obligations by the organization (Berger, 2009).

WORK ENGAGEMENT

Psychology has been greatly criticized as it mainly addresses the mental ailment rather the mental wellness. The main focus of the psychology is "... to begin to catalyze a change in the focus of psychology from pre-occupation MALIK and KHALID: Contract Breach, Work Engagement and Intension 41 only with repairing the worst things in life to also building positive qualities" (Seligman and Csikszentmihalyi, 2000, p. 5). Bakker and Schaufeli (2008) also noticed the requisition for positive organizational behavioral (POB) research. Work engagement is one of the most researched constructs of positive organizational behavioural research which reflects a positive, fulfilling and work-related state of mind and is seen as anti-pole of job burnout. Work engagement is "a positive, fulfilling work related state of mind that is characterized by vigor, dedication and absorption" (Schaufeli and Bakker, 2004, p. 295). Engaged employees are more excited about their work and have high levels of energy. They are fully engrossed in their work as they find it hard to detach themselves from work (Bakker et al., 2008).

VIGOR

It is described as the energy, vitality, and mental resilience of employees while doing their job. It is the eagerness to endow effort in their work, to be persistent and calm in time of difficulties. Vigor consists of interlocked feelings of emotional energy, physical strength and cognitive spirit of the working employees (Schaufeli and Bakker, 2004).

DEDICATION

It refers to a sense of significance, passion and enthusiasm in one's job, employees' pride while doing job and their feeling that their job is inspiring and challenging (Schaufeli and Bakker, 2004).

ABSORPTION

It refers that an individual is fully immersed in the job and it is difficult for one to detach himself from the job (Schaufeli and Bakker, 2004).

TURNOVER INTENTION

Employee turnover is one of the most researched concepts in field of organizational behaviour (Price, 2001). In every organization, what makes an employee to leave is always a troublesome issue to resolve. Without employees' support and contribution, it is not possible for any organization to enjoy high productivity as well as good revenues. Therefore, today managers are concerned about issues and complications encountered by the employees (Perez, 2008). Turnover is defined as "individual movement across the membership boundary of an organization" (Price, 2001, p. 600). In this definition word 42 Pakistan Economic and Social Review "individual" refers to employees of the company and "movement" refers to separation from the organization. Bester (2012) suggests that turnover intention is rarely defined in researched studies. This is because of the assumption that people take this term as self-explanatory. It is argued that turnover intention is the last step of employees' decision making when they actually leave the organization (Mobley, 1982) and an indicator of an employee's psychological attachment with the organization (Zhao et al., 2007). Lacity et al. (2008, p. 228), defined turnover intention as "the extent to which an employee plans to leave the organization". It is also defined as the conscious and intentional willfulness and tenacity to leave an organization (Matz et al., 2014). Theoretical framework of Fishbein and Ajzen (1975) suggests that turn over intention is a "behavioural intention" and it is also an important determinant of actual turnover. The actual turnover is explicit in nature whereas turnover intention is implicit. Turnover intent is probability of an individual that he will change his job within

specified period (Sousa-Poza and Henneberger, 2004). Literature suggests that a relationship exists between actual turnover and turnover intention (Hom and Griffeth, 1991). It is not necessary that employees' intention to change their job always results in actual turnover (Perez, 2008).

Methodology

Contributions of the Study

1. Previous studies on PCB have explored its relationship with job satisfaction and organizational commitment. This current research will contribute to the literature by studying the mediating effect of work engagement on the relationship between PCB and employee' turnover intention. The present study will contribute by providing empirical evidence about the levels of work engagement of employees as well as its dynamics with psychological breach and turnover intentions.
2. Furthermore, the study has been conducted in the banking sector of Pakistan. Banking sector of Pakistan is facing numerous challenges along with mergers and acquisition, which lead to the possible issues of job security, increase in job uncertainty and aggravate the quality of working conditions. This study makes an important contribution to the service sector because the concept of psychological contract breach is highly relevant given the increased recognition of importance of human resources in achieving organizational objectives and improving performance.

Hypothesis 2

There is negative relationship between PCB and work engagement.

Participants

The sample consisted of 302 employees working in the different public and private banks of Lahore. The demographic section requires participants to report their gender, department, position held, number of years in current position, qualification and bank name. The highest percentage of the employees (68.5%) were between 24 to 33 years and the age breakdown was: 34-43 (21.2%), 44-53 (4.0%), 54 and above (2.0%), and did not respond (5%). The percentages of the male participants were 78.1% whereas the percentage of females was 21.9%. Under the category of position held, majority of the participants were assistant managers (42.7%), followed by managers (24.2%), executive managers (11.9%), senior managers (11.9%), regional manager (4.6%) and did not respond (5%). Under the category of qualification, 66.6% of the respondents were holding master's degree, 31.1% were holding bachelor's degree, followed by intermediate degree holders (0.7%) and did not respond (2%).

Results from Hypothesis 2

PCB was negatively related to work engagement ($\Delta R^2 = 0.57$, $\beta = -0.84$, $p < 0.05$) (H2 supported).

Authors:	Suazo, Mark M; Turnley, William H; Mai-Dalton, Renate R.
Journal Name:	Journal of Leadership & Organizational Studies
Article Title:	The Role of Perceived Violation in Determining Employees' Reactions to Psychological Contract Breach

Year: 2005

Literature

Most prior research on psychological contracts has focused on examining the outcomes of psychological Contract Breach (PCB). This research has consistently demonstrated that PCB is related to a wide range of undesirable employee attitudes and behaviors such as reduced trust (Robinson, 1996), lower job satisfaction (Tekleab, Takeuchi, & Taylor, 2005; Turnley & Feldman, 1998), poorer moods (Conway & Briner, 2002), less organizational commitment (Guzzo, Noonan, & Elron, 1994), increased turnover (Turnley & Feldman, 1999), and decreased performance of in-role and extra-role work behaviors (Robinson & Morrison, 1995; Turnley, Bolino, Lester, & Bloodgood, 2003).

Study

This study extends the research on psychological contracts by examining the extent to which the negative emotional feelings associated with psychological contract violation act as a key explanatory mechanism in the relationship between PCB and important work outcomes. Specifically, this paper examines whether psychological contract violation acts as a critical intervening (or mediating) variable in the relationship between PCB and intent to quit, professional commitment, in-role job performance, and helping behavior (a type of organizational citizenship behavior). In addressing these issues, this research attempts to advance the research on psychological contracts in three ways.

Hypothesis 3

PCB will be negatively related to in-role job performance.

Methodology

A total of 234 full-time employees participated in this research. 49-percent of the respondents were male and 59-percent were female. Approximately 46% of respondents were Hispanic-American, 40% were African-American, and 14% were White-American. The mean age of the respondents was 37. Across these individuals, organizational tenure averaged 4.5 years and job tenure averaged 2 years. Data were collected from two different samples.

The first sample consisted of 108 full-time employees working in professional (white-collar) positions for a county government in New Mexico. This sample was comprised of 76 Hispanic-Americans and 32 White-Americans. Respondents came from a variety of areas within the county government, including the county manager's office, county clerk's office, assessor's office, treasurer's office, surveyor's office, administrative services office, attorney's office, land use office, and health department. In addition, respondents occupied every level in the professional (white-collar) hierarchy of the county government.

The second sample consisted of 126 individuals working in professional (white-collar) positions who were participants in a PhD Project Conference. This sample was comprised of 95 African-Americans and 31 Hispanic Americans. The PhD Project Conference is an annual meeting coordinated by the KPMG Foundation to address the lack of ethnic diversity in business school faculties (PhD Participation in the meeting is open only to African-American, Hispanic-American, and Native-American professionals who are considering the pursuit of a

doctorate in one of the business disciplines. Project Conference participants are not PhD students. Instead, they are currently employed and simply considering the pursuit of a PhD.) Respondents in the PhD Project sample worked for companies that ranged in size from about 50 employees to thousands of employees (including many Fortune 500 companies). The companies operated in a variety of industries including accounting, management consulting, manufacturing, pharmaceuticals, and health care. Respondents worked in various professional positions including lower-level, mid-level, and upper-level management.

Data were collected via surveys. Participants returned the surveys directly to the lead researcher using a postage-paid return envelope. All participants were assured of confidentiality. The response rate for the county government employees was 26% and the response rate for the PhD Project sample was 28%. (Since there were only three surveys returned by Native-American respondents, one from the county government employees and two from the PhD Project Conference participants, those surveys were not included in the data analyses.)

Results of Hypothesis 3

PCB was significantly (and negatively) related to employee reports of their in-role job performance and willingness to engage in helping behavior.

Authors: Sandra L. Robinson
Journal name: Administrative Science Quarterly
Article name: Trust and Breach of the Psychological Contract
Year: 1966

Abstract

Research examines the theoretical and empirical relationships between employees' trust in their employers and their experiences of Psychological Contract Breach (PCB) by their employers, using data from a longitudinal field of 125 newly hired managers. Results show that the relationship between trust and PCB is strong and multifaceted. Initial trust in one's employer at time of hire was negatively related to PCB after 18 months on the job. Trust mediated the relationship between PCB and employees' subsequent contributions to the firm. Initial trust in one's employer at the time of hire moderated the relationship between PCB and subsequent trust such that those with high initial trust experienced less decline in trust after a breach than did those with low initial trust.

Psychological Contracts Defined

The psychological contract is defined as an individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (Rousseau, 1989). Although the psychological contract was originally defined by Argyris (1960), Levinson (1962), and Schein (1980) to characterize the subjective nature of employment relationships, the present conceptualization focuses on individuals' beliefs in and interpretation of a promissory contract. Unlike formal or implied contracts, the psychological contract is inherently perceptual, and thus one party's understanding of the contract may not be shared by the other.

Psychological contracts, comprising perceived obligations, must be distinguished from expectations, which are general beliefs held by employees about what they will find in their job and the organization. For example, a new manager may expect to receive a high salary, to be promoted, to like his job, or to find the walls of his office painted a neutral color. These expectations emanate from a wide variety of sources, including past experience, social norms, observations by friends, and so forth. Psychological contracts, by contrast, entail beliefs about what employees believe they are entitled to receive, or should receive, because they perceive that their employer conveyed promises to provide those things. Thus only those expectations that emanate from perceived implicit or explicit promises by the employer are part of the psychological contract. For example, if a new manager believes she was promised pay commensurate with performance at the time of hire, it creates an expectation, but it also creates a perceived obligation that is part of the psychological contract. Although psychological contracts produce some expectations, not all expectations emanate from perceived promises, and expectations can exist in the absence of perceived promises or contracts.

Psychological Contract Breach and Trust

Psychological contract breach is a subjective experience, referring to one's perception that another has failed to fulfill adequately the promised obligations of the psychological contract (Rousseau, 1989). Psychological contract breach can and does occur in the absence of an actual breach (i.e., whereby one party deliberately reneges on another party's contract and that fact can be determined by a neutral third party) (Morrison and Robinson, 1997). It is an employee's belief that a breach has occurred that affects his or her behavior and attitudes, regardless of whether that belief is valid or whether an actual breach took place. Thus the focal point of interest in this study is not actual breach, but employees' perception of a breach, and subsequent use of the term psychological contract breach in this study refers to employees' perceptions of contract breach, not actual breach. In this study, psychological contract breach is operationalized as an employee's perception of the extent to which the employer has failed to fulfill the following promised obligations: high salary, promotions and advancement, pay based on performance, long-term job security, sufficient power and responsibility, training and career development.

Psychological contract breach is a subjective experience based not only (or necessarily) on the employer's actions or inactions but on an individual's perception of those actions or inactions within a particular social context. Thus the experience of psychological contract breach should depend on social and psychological factors specific to the employment relationship in which it occurs (Morrison and Robinson, 1997). One such factor of particular importance is that of trust and, more specifically, trust in one's employer. Integrating various definitions of trust found in the literature (e.g., Frost, Stimpson, and Maughan, 1978; Barber, 1983; Gambetta, 1988), trust is defined here as one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interests. As a social construct, trust lies at the heart of relationships and contracts, influencing each party's behavior toward the other (e.g., Deutsch, 1958; Blau, 1964; Zand, 1972). As a general positive attitude toward another social entity, trust acts as a guideline, influencing one's interpretation of social behaviors within a relationship. Trust is thus likely to play a significant role in the subjective experience of psychological contract breach by one's employer: Trust in one's

employer may influence an employee's recognition of a breach, his or her interpretation of that perceived breach if it is recognized, and his or her reaction to that perceived breach.

Prior Trust as Cause of Psychological Contract Breach

As a prior positive attitude, trust in one's employer at the time of hire may influence psychological contract breach by reducing the likelihood that a contract breach will be perceived. A long history of research on cognitive consistency and attitude change has found that people act in ways that preserve their established knowledge structures, perceptions, schemata, and memories (Greenwald, 1980). Cognitive consistency is maintained through selective perception, by seeking out, attending to, and interpreting one's environment in ways that reinforce one's prior knowledge, beliefs, and attitudes (Fiske and Taylor, 1984). A rich body of empirical evidence has identified a variety of encoding and decoding biases that tend toward confirming, rather than disconfirming, prior beliefs (Snyder and Swann, 1978; Lord, Ross, and Lepper, 1979). Greenwald (1980) reviewed much of this literature, citing evidence of confirmation bias in responding to persuasion (e.g., Hovland, Janis, and Kelley, 1953; Greenwald, 1968; Petty, Ostrom, and Brock, 1981), in information search (e.g., Mischel, Ebbesen, and Zeiss, 1973; Snyder and Swann, 1978), in memory and recall (Mischel, Ebbesen, and Zeiss, 1973; Snyder and Uranowitz, 1978), and in the effects of first impressions (review by Schneider, Hastorf, and Ellsworth, 1979).

One aspect of selective perception is that of selective attention. People tend to seek out and focus on information that confirms prior cognitions, and they tend to avoid or ignore information that disconfirms them (Cohen, Brehm, and Latane, 1959; Olson and Zanna, 1979; Eagly and Chaiken, 1993). In psychological contract breach, selective attention could operate such that prior trust in one's employer will influence the likelihood that an employee will perceive a breach by his or her employer. Thus an employee with low prior trust is more likely to look for, find, and remember incidents of breach, even in the absence of an objective breach, because it is consistent with his or her low prior trust. Conversely, an employee with high prior trust will be less likely to perceive a breach when one does not occur and more likely to overlook, forget, or not recognize an actual breach when it does occur. Thus, the first hypothesis is as follows:

Methodology

METHOD Sample

Participants were 125 alumni of a midwestern graduate business school. Thirty-four percent were women. The average age of the participants at the end of the study was 30 years (S.D. = 2.01), their average full-time work experience was 6.29 years (S.D. = 1.78). Average salaries were \$69,200, ranging from \$25,000 to \$160,000. The respondents worked in a wide variety of industries: consulting (23.5 percent), financial services (18.6 percent), food and kindred products (17.5 percent), chemicals and allied products (13.7 percent), machinery (5.5 percent), electronic equipment (3.3 percent), transportation equipment (3.3 percent), wholesale and retail trade (2.7 percent), petroleum and energy products (2.7 percent), and others (9.2 percent).

Time 1

The measure of PCB was created as follows. The degree to which each item was fulfilled at T2 was subtracted from the degree to which it was obligated at T1. For example, if an item was perceived to be highly obligated at T1 (a score of 5) and was perceived to be not fulfilled at all at T2 (a score of 1), it resulted in a high breach discrepancy ($5 - 1 = 4$). Conversely, if an item was perceived to be not obligated at T1 (a score of 1) yet well fulfilled nonetheless at T2, it resulted in a high fulfillment discrepancy ($1 - 5 = -4$). As a final example, an item not perceived promised at T1 (a score of 1) and not fulfilled at T2 (a score of 1), yielded no discrepancy ($1 - 1 = 0$).

Time 2

At T2, participants were asked to indicate the degree to which their employer had fulfilled each of the seven obligations measured at T1. The instructions read, "Employers make implicit and explicit promises during recruitment which obligate them to give certain things to their employees in exchange for their employees' contributions to the organization. Employers vary in the degree to which they subsequently fulfill those promises and obligations to their employees. Read over the following items listed below. Think about the extent to which your employer made implicit or explicit promises to provide you with these items. Then think about how well your employer has fulfilled those promises. Using the scale below, please indicate the extent to which your employer has fulfilled the following obligations." They were provided with a five-point Likert-type scale, with anchors ranging from "not at all fulfilled" to "very well fulfilled."

Time 3

Trust was measured at T1 and T3. I used a seven item trust scale that reflects the dimensions of trust identified by Gabarro and Athos (1976). Items included in this scale were the following: "I believe my employer has high integrity"; "I can expect my employer to treat me in a consistent and predictable fashion"; "My employer is not always honest and truthful"; "In general, I believe my employer's motives and intentions are good"; "I don't think my employer treats me fairly"; "My employer is open and upfront with me"; "I am not sure I fully trust my employer." Participants used a five-point Likert-type scale, with anchors ranging from "strongly disagree" to "strongly agree." Coefficient alpha for the T1 measure was .82; for T3, it was .87.

Control Variables

Several additional variables were controlled for in the analyses to rule out alternative explanations. For all of the analyses, trust in one's employer (T1), years of work experience, and intentions to remain (T1) were controlled for, because trust, tenure, and intentions to remain with the organization may influence employees' contributions to the firm by increasing their attachments and vested interests in the success of the organization. Further, the absolute number of pay raises received by T3 and the absolute number of promotions received by T3 were controlled for in all of the analyses because they represent common rewards that should strongly influence managerial performance. By demonstrating that PCB (including perceived breach of promises of pay and promotions) has its effects on subsequent performance beyond that accounted for by the absolute number of pay raises and promotions actually received, one shows that it's not just the amount of these rewards received that matters but, rather, the extent to which the employee received those rewards commensurate with what was perceived to be promised and obligated to be provided by the employer.