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# The association of psychological contract alignment to workplace outcomes

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## Abstract

The association the alignment of the psychological contract has to workplace outcomes in the South African emerging market context was investigated at a total psychological contract level but also on a psychological contract construct level. The results of 106 manager and employee dyads supported that there are correlations between psychological contract alignment and the performance of employees as rated by their manager, the commitment of the employee to the organisation and the propensity of the employee to leave the organisation. Models were developed that indicated alignment on loyalty aspects explaining the performance outcome and that a combination of alignment on fulfilment and performance support explained the commitment and propensity to leave outcome. Differences in responses between same gender dyads and different gender dyads were explored, as well as between same population group and different population group dyads with no statistically significant differences observed. The results of the study are discussed in terms of its practical use for general and human resource management. Further related research areas are suggested: the association of psychological contract alignment to propensity to leave in a positive economic climate, the degree of bias in performance ratings by managers when highly committed to the employee.

## Keywords

Psychological contract, alignment, reciprocation.

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorization and consent to carry out this research.

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## Chapter 1: Introduction to research problem

### 1.1 Research Title

The association of psychological contract alignment to workplace outcomes.

### 1.2 Introduction

For the purpose of this report, the use of “him” will be for simplicity in writing but also include the female “her”.

Employees form expectations of the employment relationship based on real and perceived promises made to them and shape these into what is known as the psychological contract. Unknown or perceived expectations that the employee has of the employer or that the employer has of the employee may cause contract breach and negative workplace outcomes (Inkson & King, 2011). The contracts between employer and employee can be made up of a written and unwritten element where the unwritten element is typical of the psychological contract (Bellou, 2009). By not explicitly agreeing about elements of the working relationship the employee and employer may find themselves in a situation where the psychological contract may or may not be in alignment.

The interests of the employee and the employer may also change over time, and neglecting to acknowledge these changes and look for ways to align the misaligned interests of both parties may have negative workplace outcomes (Inkson & King, 2011). Closing this gap in expectations is thus proposed as a means to improve workplace outcomes. The extent of the alignment or misalignment of the psychological contract as perceived by the manager and employee at the same time and the correlation this alignment has to various workplace outcomes will form the basis of this study.



### 1.3 Research Purpose

The purpose of this research is to determine to what extent the alignment found in psychological contract terms between managers and employees associate to workplace outcomes. The outcomes that will be of specific interest are employee performance, organisational commitment and propensity to leave the organisation.

A challenge to the psychological contract is that it is shaped outside of the normal written contract of employment. In being unwritten and not explicitly agreed or openly discussed (D'Annunzio-Green & Francis, 2005) it is open to interpretation by the employee (Bellou, 2009). This creates the risk that the expectations of the employee may remain unmet and be associated with changes in workplace outcomes and employee behaviour without the knowledge of the employer. It also has to be considered that the expectations of the employee may accidentally become more fulfilled by the employer by chance if it is not explicitly agreed and discussed. It is proposed that managers would prefer to know the association that aligned contracts has with positive workplace outcomes in order to have better control over the dependent variables of the psychological contract.

Thus far research into psychological contracts is dominated by focus on the causes of breach and the impact of breach on the employee (Bellou, 2009) as well as the expected consequences of breach and fulfilment of the psychological contract from the employee perspective (Conway & Coyle-Shapiro, 2012). Research of how the perceptions and expectations are held by the employer and its agents of the employee are not as common (Tekleab & Taylor, 2003). The study of the expectations the organisation has of the employee and to what degree these expectations align as defined within their psychological contract is also uncommon (Dabos & Rousseau, 2004). The study of the reciprocal nature of relationship interactions was also found to be historically focused on sociology and anthropology but not so much on its applicability to management studies (Cropanzano & Mitchell, 2005).

Fulfilment of the psychological contract refers to the difference between the promises made and kept (Conway & Coyle-Shapiro, 2012). Studying the alignment of the views that both the employee and the employer hold of the psychological contract proposes an alternative view by considering the degree of difference or alignment in expectations and commitment and how it associates to workplace outcomes. While the level of fulfilment associated with

aligned perceptions will be considered, it is proposed in this study as two distinct concepts based on fulfillment being about the promises made and kept while alignment is about the agreement of reciprocal expectations and commitments. This study thus aims to address a shortcoming within existing psychological contract research by involving both the manager and the employee as respondents to determine if their levels of alignment to psychological contract elements associate with specific workplace outcomes.

## 1.4 Research Scope

The scope of the research study included the analysis of perceptions that both managers and employees have of the psychological contract and the association that the degree of alignment of their reciprocal expectations and commitments have on performance, organisational commitment and propensity to leave as specific outcomes.

The potential for differences due to gender and population group effects was also explored. More specifically the scope included understanding if there are differences in psychological contract alignment, performance, commitment or propensity to leave when the manager and employee are of the same gender compared to being a different gender dyad.

Same population group dyads were also compared to different population group dyads for differences in psychological contract alignment, performance, commitment and propensity to leave. Managers and employees from South African industries were included in the study.

## Chapter 2: Theory and Literature review

### 2.1 Social exchange theory

Social exchange theory (SET) has been in existence since after 1920, and is seen as one of the most influential theories that describe workplace behaviour and relationships in the organisational context (Cropanzano & Mitchell, 2005). The social interactions are further described as being interdependent and SET was found to have explanatory relevance in many fields, among them studies of psychological contracts (Cropanzano & Mitchell, 2005). The relationship between SET and the psychological contract was described with the psychological contract seen as a micro level analysis of SET within the macro level study of the employee-organisation relationship (Shore, Bommer, Rao, & Seo, 2009). The relationship between the employee and the manager can be termed the micro social order (Lawler, Thye, & Yoon, 2008).

Expectations of reciprocal commitments that form between parties to the social interaction are also explained from the basis of SET (Cropanzano & Mitchell, 2005). Cropanzano and Mitchell (2005) further propose that there are rules or guidelines to the exchanges taking place, with most of the research into these guidelines pertaining to the expectation of reciprocity between the parties to the exchange. An employee that experiences quality social exchanges within the organisation is expected to also experience greater affective commitment and more specifically feelings of trust towards the company and thus be less likely to want to leave the company (Shore et al., 2009). The combination of reciprocal exchanges and the level of quality that is shared between the employee and his manager during the exchange is thus expected to have an impact on the level of commitment that the employee shows towards the company and his manager, and also impact his decisions of staying with the organisation to continue his career or not.

In the definition of the micro social order the recurrent and repetitive nature of the interaction is a specific characteristic required for the existence of the social order (Lawler et al., 2008). Considering the social order that exists between the employee and his manager, it is proposed that an increased frequency of interaction combined with the level of quality and reciprocity experienced during the exchange contribute to the level of understanding within this social order. For the purpose of this study this increased understanding or agreement

between the employee and his manager will be the measure of the alignment to the social order as described by the psychological contract.

While reciprocity is proposed as an expectation that all humans have of relationships, it is not expected that all humans would have the same degree of expectation from their counterpart to the social exchange (Cropanzano & Mitchell, 2005). Thus not all humans would expect a return on their input of equal quality from the other party to the social exchange, with either greater or lesser expectations the possible result. The relevance of this to the work environment is in better understanding how the expectations that employees and managers have of one another may impact the employee if the expectations are aligned or misaligned. Many social exchanges are characterised by the need for finding balance, agreement or alignment in the needs of the different parties to the interaction, such as friendships, business partnerships, supplier relationships and the employment relationship (Lee, Liu, Rousseau, Hui, & Chen, 2011). Should it be determined to what extent the alignment impacts workplace outcomes, the next natural step may be to also consider ways of finding close alignment in psychological contracts.

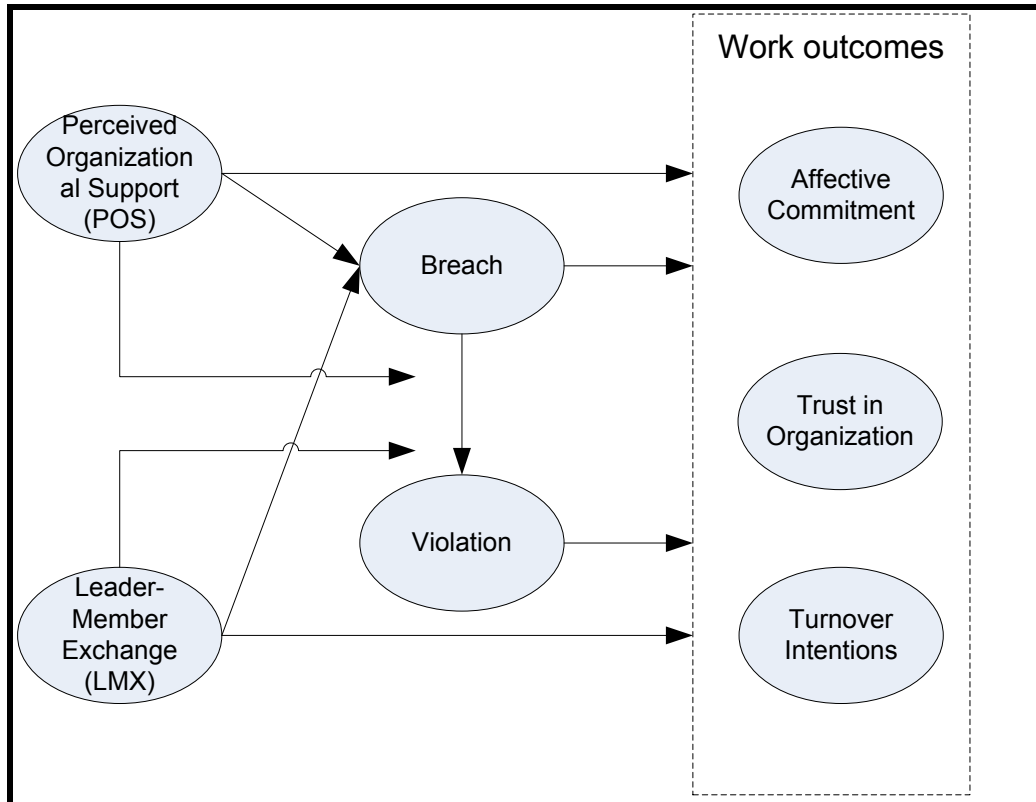
Alignment of psychological contracts may be hard to achieve due to the complex nature of psychological contract formation and dynamics. Positioning alignment as the degree of reciprocity achieved by the parties to the social exchange, may be especially hard since the exchanges are not explicitly agreed but significantly based on observed behaviours (Cropanzano & Mitchell, 2005). It is also exactly this characteristic of not being explicitly agreed that is embedded in the definition of the psychological contract.

## 2.2 Supporting theories

The emphasis of this study is the psychological contract although leader member exchange (LMX) theory will also be considered for its contribution to understanding the specific relationship between the employee and the manager, with the manager acting as the primary organisational agent. Furthermore, the theory on perceived organisational support (POS) also makes a contribution to the study in combination with psychological contract theory and LMX by each explaining different parts of the relationship (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008).

The relationship between POS, LMX and psychological contracts was presented by Dulac et al. (2008) as can be seen in figure 1 below.

Figure 1 - The relationship between POS, LMX and psychological contracts



One of the main differences between the three theories is that the psychological contract focuses on the obligations between the parties and how these obligations are exchanged (Dulac et al., 2008). Thus the psychological contract theory forms the basis of the study to determine the perceived obligations that the employee and manager have to each other, but LMX theory is incorporated to support that the psychological contract should also be considered from the perspective of the manager as part of an exchange relationship, and not as it is with most studies that only consider the view of the employee.

POS and LMX can further be seen to support psychological contract theory in that its emphasis is on the quality of the social exchanges that are taking place between the manager and the employee (Dulac et al., 2008). By contributing an understanding of the way that quality relationships associate to workplace outcomes, the objective is to use this theoretical base when alignment is proposed as a measure of the quality found in the reciprocal relationship.

The relationship between the three is further proposed as having different constructs although they are typically looking at the impact on similar outcomes (Dulac et al., 2008), amongst them commitment, performance and propensity to leave the organisation. This supports that there is a case for using the theories in combination to make sense of the views held by the employee and manager of the psychological contract.

## 2.3 Psychological Contracts

### 2.3.1 Introduction to Psychological Contracts

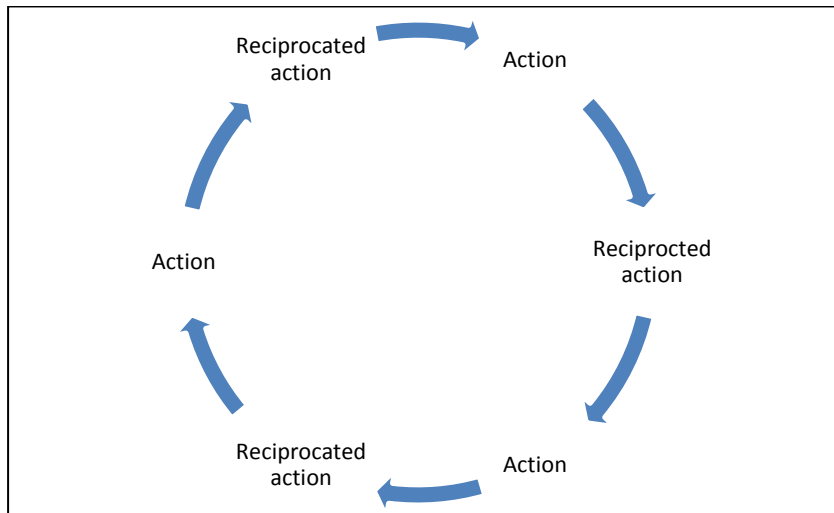
Psychological contracts are defined as unwritten agreements of direct and indirect promises and expectations about the employment relationship that are open to interpretation (Bellou, 2009). It has also been defined as mental models that employees form based on their perception of the promises made by the organisation that they will respond to with actions on behalf of the organisation (Dulac et al., 2008; Zagenczyk, Gibney, Kiewitz, & Restubog, 2009). It is also specifically positioned as separate to the legal contract that the employer and employee enter into (Suazo, Martinez, & Sandoval, 2009).

The formation of the psychological contract is dependent on the interpretation of the individual and is not explicitly described as is the case with the formal employment contract (D'Annunzio-Green & Francis, 2005). This characteristic of not being explicitly described possibly leaves a major gap around the interpretation and expectation of the needs that the employee and the employer may have of this arrangement, but this very element is simultaneously also offered as the element that allows the parties to build trust into the social exchange (Shore et al., 2009). This illustrates that the psychological contract is a much needed element of the social order between the employee and the employer. It is possible that it will create a level of uncertainty in the relationship but that this uncertainty is also necessary to allow both parties to behave in ways that build trust by fulfilling perceived needs. The fulfilment of these needs without written agreement is seen to build trust in the relationship.

Trust is thus built by repeated fulfilment of a variety of expectations, even when these are unwritten. This is supported by social exchange theory describing the actions of employees and the employer as interdependent exchanges that need to be reciprocated before additional exchanges can take place (Cropanzano & Mitchell, 2005). This implies that

reciprocation can be illustrated as a circular process that requires one party to the exchange to reciprocate the actions of the other party sufficiently to be perceived as creating an obligation to be reciprocated once again, while increasing trust levels with every round of reciprocation taking place. Figure 2 below is a graphical interpretation by the author:

**Figure 2 - The cycle of reciprocity**



Another dimension to the psychological contract is that it can be further broken down into elements characterised as transactional, relational or balanced (Dabos & Rousseau, 2004). The transactional contract elements include the payment received for the work done and working conditions while the relational contract elements include training and development, job security and fair treatment (Kiewitz, Restubog, Zagenczyk, & Hochwarter, 2009). The relational psychological contract is described as socio-emotional (D'Annunzio-Green & Francis, 2005) while the transactional psychological contract is more about the short-term focused aspects of the normal employment contract such as payment and working hours (Dabos & Rousseau, 2004). The balanced psychological contract is a combination of the transactional and relational elements in that the elements that it combines allow for more flexibility to adapt to a changing environment than the purely transactional and relational psychological contracts (Dabos & Rousseau, 2004).

The transactional and relational psychological contracts are presented as two distinctive and inversely correlated contract types where employees that have a transactional contract show less relational contract orientation (Millward & Hopkins, 1998). Relational contracts dominate more among employees that hold managerial positions than in supervisory positions, and more in supervisory positions than in skilled manual jobs (Millward & Hopkins, 1998). This



difference in the orientation towards different psychological contract types depending on the hierarchical level the employee holds within the organisation presents that managers have to be able to adapt to their employees that may have a different psychological contract orientation to them if they want to find alignment with their employees.

Relational contracts are further found to correlate to tenure, job and organisational commitment (Millward & Hopkins, 1998). Considering the relationship between the employee and manager, the expectation may be that alignment found in psychological contracts with higher level employees that have a relational orientation will show good associations to tenure and commitment. This does not propose, though, that alignment on transactional elements would not associate to tenure and commitment, but that a stronger association would be expected with the relational element in light of the theory.

The inversely correlated relationship found between the transactional and relational psychological contracts hint at the differences in contract expectations between employees, with some preferring more transactional oriented contracts while other may prefer more relationally oriented contracts. Accepting this position that employees have unique psychological contracts poses the question about the importance of the manager being aligned to the needs of the employee and vice versa. Should it be found that there is an association between the alignment in the perception of the employee and employer and positive workplace outcomes, it would emphasise the importance of finding methods to ensure close alignment as a means to achieve better outcomes. Should no such association be found, it could indicate that there would be little benefit to attempting alignment when a “one size fits all” psychological contract may sufficiently meet the needs of the employee.

Psychological contracts have also been described to be dynamic in nature and impacted by the experiences the employee has in the organisation (Patrick, 2008). This additional complexity surrounding the relationship, and considering that there are perceived commitments that need to be fulfilled before reciprocal commitments may take place, there are clear risks to the sustainability of the relationship unless the reciprocated actions are deemed to be sufficient for further reciprocity. The characteristic unwritten expectations and risk of reciprocity not taking place could lead to gaps between the expectations that the manager has of the employee as well as the expectations that the employee holds of the manager in their psychological contract. Narrowing these gaps through greater alignment of the reciprocal expectations held by the employee and employer is proposed in this study as

a means to improved workplace outcomes and possibly a means to greater reciprocation that may even enhance trust (Shore et al., 2009). The study of the association between psychological contract alignment and trust is beyond the scope of this study, although the importance of trust to allow ongoing reciprocity as a leading factor to achieve alignment has to be considered.

Where the need for reciprocation exist fulfilment of that need thus has to take place before further reciprocation can take place. The inability of the organisation to fulfil the expectations that employees have of the psychological contract through its managers has been shown to have a negative effect on the retention and loyalty of employees if breach of the psychological contract is perceived by the employee (Turnley & Feldman, 1999). Psychological contract breach is also associated with poor performance and negative organisational citizenship behaviours (OCB) that employees direct at both the employer and other employees that may be a result of individual traits or contextual factors (Restubog, Bordia, & Tang, 2007). Thus if the actions of the employee are not reciprocated by the employer as expected, the employee may perceive this as breach and even violation of the psychological contract due to the unfulfilled expectations. The way they act out though, may be unpredictable, so questions remain about the understanding of breach as experienced by each employee individually. Exploring the theory of what psychological contract breach and violation is, at what point it takes place, what causes it and how it could possibly support this study, is further considered.

### **2.3.2 Psychological contract breach and violation**

Psychological contract breach takes place when the employee perceives that the expected promise is no longer being met while violation is differentiated from breach by describing the emotional reaction that the employee has as an outcome of that breach (Zhao, Wayne, Glibkowski, & Bravo, 2007). The relationship between psychological contract breach and violation gets stronger when the employee perceives low levels of organisational support and experiences a low quality leader-member exchange relationship (Dulac et al., 2008), thus an employee will be more likely to respond affectively due to violation in this situation. Employees are also expected to have emotional responses such as anger and frustration to psychological contract breach (Restubog, Zagenczyk, Bordia, Bordia, & Chapman, 2012).

Psychological contract breach may be impossible to avoid entirely due to the dynamic environments that organisations have to adapt to that may unintentionally shift the ability of the organisation to fulfil the previously met needs of the employee (Zagenczyk et al., 2009). A sudden shift in the macro environment that places the organisation under financial stress may change the actual and perceived ability of the company to meet the expectations held by the employee. It is also proposed that the interests of the employee and employer may be at odds and referred to as contested terrain (Inkson & King, 2011). In the example used where the company faces financial difficulty during a change in its macro environment, the interest of the employer may be to temporarily cut back on plans to expand operations, while the employee still has the expectation that the company will provide an environment that offers career growth opportunities. This discourse will thus be contested terrain where the employee feels that commitments made by the employer are being reneged on. Realigning the interests of the employee and manager may be necessary to move away from the contested terrain and towards an agreed arrangement.

This was just one example of contested terrain or a change where the employee and company are no longer aligned in terms of what is expected and what can be offered. Various other situations may lead to breach of the psychological contract. When considering that financial elements, promotion and training opportunities (Suazo et al., 2009) are typically included in the psychological contract, one has to consider the impact that externalities could have on the perception of breach by the employee. An example of this is where the economic conditions during a recession impact the work environment to the extent that the employer can no longer guarantee lifelong employment and other benefits that employees may normally expect the organisation to provide (Aggarwal & Bhargava, 2010). An employee that expected the organisation to provide training or access to training but then fails to deliver due to changes in the economic environment, putting them under financial pressure, may be judged by the employee to have broken the promise and experienced breach of the psychological contract.

Should breach take place, how will the employee respond to this breach and what should the employer look out for? Psychological contract breach is expected to correlate with increased negative behaviour on the part of the employee, if he stays within the organisation while he may ultimately also end up leaving the organisation (Zagenczyk et al., 2009) for reasons that may be unknown to the manager since it was never explicitly discussed or agreed what the expectation was.

According to Zhao et al. (2007) the breach in the psychological contract is associated to affective reactions by employees. An affective reaction is an emotional experience triggered by the breach event. These affective reactions of employees to psychological contract breach then play a role in the shaping of job attitudes (Bal, De Lange, Jansen, & Van Der Velde, 2008). Where breach of the legal employment contract may result in employees taking legal steps against the employer to enforce the terms of the contract, the psychological contract has no such legal backing or possibility of recourse if it is unfulfilled (Suazo et al., 2009). Employees may have a sense of powerlessness in their inability to take such steps and are left to act out negatively as a way of recourse or punishment of the employer for feeling wronged.

Breach of the psychological contract was, however, found to increase the intention of the employee to leave the company but not impact his level of commitment and trust in the company to the same extent (Dulac et al., 2008). At the same time the level of trust that the employee has was not seen to impact the reaction he will have to contract breach taking place as far as organisational citizenship behaviour was concerned (Bal, Chiaburu, & Jansen, 2010). A multitude of other factors influence the contract and breach on certain aspects of the contract and may be insufficient to result in all the negative behaviours that could possibly be associated with psychological contract breach.

A factor that was found to impact the response of the employee to the perception of psychological contract breach taking place was the length of tenure he has reporting to the manager. It was proposed by Dulac et al. (2008) that the breach is more likely to be perceived as violation as the relationship gets longer since there may be a longer history of expectations and reciprocal fulfilment. Thus the breach of previous patterns of responses to his expectations may come as more of a shock to the employee that perceives greater deviation of what was previously agreed, and as a consequence he responds more emotionally. It could be argued that this may be due to the extent to which the response was unexpected, which supports the argument for greater alignment as well as the maintenance of that alignment to the psychological contract.

There is ultimately an almost infinite variety of workplace outcomes that could be impacted by the breach of the psychological contract. To further explore the potential value that could be offered by achieving greater alignment in the psychological contract, a better

understanding is required of the impact that psychological contract breach has on the outcomes relevant to this study. The focus of this study will be their association to psychological contract alignment. The outcomes of interest are employee performance, organisational commitment and employee propensity to leave the organisation.

### 2.3.3 Psychological contract breach and performance

When the psychological contract is breached and the employee reciprocates the perceived breach by adjusting their level of commitment to their manager and the organisation, their performance is expected to suffer (Bal et al., 2010). It is acknowledged that employees do not always reciprocate by for example adjusting their level of performance downward to the perceived breach to the same extent (Parzefall & Coyle-Shapiro, 2011). Thus even if it could be accurately determined that breach has taken place and when it took place it will not provide insight to managers of the extent of reciprocal backlash they can expect as potentially illustrated by lowered levels of performance.

Since psychological contract breach is expected to have a negative impact on the performance of the employee (Bal et al., 2010), the question remains around what happens leading up to the point of perceived psychological contract breach? Is it limited to a specific event or is it events over time that gradually moves the employee closer to the point of breach perception if left unchecked? Many factors that may reduce the extent that the employee attached negative meaning to events have to be considered before these questions can be answered. Parzefall & Coyle-Shapiro (2011) support this by considering that other events and the positive evaluation that the employee made of the company prior to the event can reduce the impact of the breach event. Thus the weight that the employee attaches to the breach event is considered for its potential to result in different performance adjustments. Ensuring greater alignment over time through ongoing and frequent small adjustments to the changing expectations and commitments of the employee and manager is proposed as a way of reducing the perceived weight attached to the possible breach event and thus the risk of psychological contract breach or violation taking place. Considering the theory on the impact on performance, it is proposed that such alignment could support more sustainable performance by reducing the risk attached to the potential breach event through the alignment mechanism.

### 2.3.4 Psychological contract breach and organisational commitment

Meeting the expectations that the employee has of the psychological contract is expected to increase their commitment to the organisation as evidenced by employees putting the needs of the organisation first (Wöcke & Sutherland, 2008). Commitment can further be broken down into affective, continuance and normative commitment where it was found that psychological contract breach had the greatest impact on affective commitment, and the emotional attachment that employees have with the organisation (Freese & Schalk, 2011).

In an environment where talent is scarce and employees have a great degree of power to negotiate the content of their own employment contracts in the shape of idiosyncratic deals (Rousseau, Ho, & Greenberg, 2006), employees effectively also introduce changes to their psychological contracts and alter the expectations of the employment relationship (Lee et al., 2011). An interesting scenario will develop where the employee negotiates such an idiosyncratic deal with the employer to the extent that the employer cannot deliver on the consequential new psychological contract expectations created. The employee may unintentionally create conditions that increase the likelihood of breach taking place due to ever increasing demands, although meeting those needs will be expected to increase organisational commitment.

The quality of the relationship between the employee and employer has an impact on the perception formed by the employee and their reaction to breach as proposed by Dulac et al. (2008), stating that the employee may in essence delay their perception of breach because the quality of the relationship changes their expectation of the time span between their expectation forming and the reciprocation by the employer to fulfil their expectation. The quality of the relationship was also proposed as a mediating effect on the response to breach when it took place within this context by the employee not necessarily responding with lower levels of performance (Bal et al., 2010).

Breach due to unfulfilled expectations may also be mediated in cases where the employee understands that the employer is unable to fulfil the contract due to elements outside the control of the organisation (Turnley & Feldman, 1999). This may happen through the process of sense-making of the perceived breach with the employee looking for evidence to support their perception (Parzefall & Coyle-Shapiro, 2011). Thus if the employee is able to make sense of the impact that factors outside the control of the organisation has on its ability to

fulfil the expectations that the employee has, he may adjust his expectation accordingly. Should they be unable to make sense of the reasons why they perceive that the obligations toward them are not being fulfilled, they may experience breach and act out by reducing commitment as just one example (Parzefall & Coyle-Shapiro, 2011). This sense-making process further speaks to an attempt by the employee to account for the differences perceived, and in essence their perception of misalignment. This study seeks to address the understanding of the impact that the degree of alignment or misalignment will have on workplace outcomes.

Despite the differences in expectation between individual employees of the psychological contract, they still have expectations of the organisation to provide career management assistance (Sturges, Conway, Guest, & Liefoghe, 2005). Such assistance by the organisation gives the employee a sense of psychological contract fulfillment that supports greater organisational commitment (Sturges et al., 2005). The view of organisational commitment was, however, challenged by Millward & Hopkins (1998) stating that the psychological contract is not so much an organisation-level concept as much as it is a job-level concept. This would indicate that the employee places more importance in the immediate job-related aspects to form his concept of commitment. While there was not certainty about this finding being generalisable (Millward & Hopkins, 1998), it may still be worth consideration when looking at the association that psychological contract alignment has to workplace outcomes if such alignment did not associate to the outcomes. This could be an indicator that job-related aspects may have a stronger bearing on the outcomes that include commitment.

Employees are not distant actors or victims without influence in the psychological contract process, though. It is argued that the support employees receive from the organisation is a result of the employees themselves signaling to the organisation that they are looking to make the most of their employment within the organisation to support their career growth (Sturges et al., 2005). It is then up to the organisation to reciprocate the employee action by providing formal or informal career support (Sturges et al., 2005). This reciprocal requirement between the employee and employer underlines the need for an exchange to take place between the employee and the employer. It also underlines that there would be an expectation created by both parties in the career exchange, not just the employee. Should the employee thus not make the first move and signal his intent to the employer,

reciprocation may not take place at all and this lack of reciprocation will impact negatively on commitment (Shore et al., 2009).

What happens though when employees make the first move only to be disappointed by a lack of reciprocation by the manager? When employees are exposed to major organisational changes such as downsizing and restructuring they may perceive significant breach of their existing contracts depending on the perception that the employee holds of the organisation being in control of the situation or not (Turnley & Feldman, 1999). In such a case they may or may not adjust their expectations, but it is proposed that alignment has to be established after breach happens to adjust unrealistic expectations on the part of the employee or unrealistic commitments by the manager. It is proposed that if misalignment is allowed to go unchecked, the organisation may experience a decrease in commitment and an increase in turnover intentions. This is supported to some extent by Dulac et al. (2008) stating that even when breach took place within high quality relationships where the high quality of the relationship is expected to reduce the intensity of the response by the employee, that it may be unsustainable if left unchecked for more than six months. It could therefore be argued that a breach event has to be followed by a mechanism of realignment in quick succession to the breach event taking place to reduce the likelihood of it resulting in reduced employee commitment and increased likelihood of the employee leaving the organisation.

### **2.3.5 Psychological contract breach and propensity to leave**

Employee retention and propensity to leave will be used interchangeably in this section. Employee retention has significant importance to organisations to help them achieve and maintain a competitive advantage in the marketplace. Managers know that human resources is a crucial element that could determine if a company competes or becomes irrelevant and this is getting more attention to the point where it is described as a “global battle for talent” (Zagenczyk et al., 2009). It is further expected that demographic changes such as the baby boom generation retiring and the impact of globalisation on the search for talented staff will lead to an ever-increasing demand for talent while the supply is on the decline (Govaerts, Kyndt, Dochy, & Baert, 2011). Employee retention also has cost benefits. It is estimated that if all the costs associated with an employee leaving such as recruitment, retraining and productivity lost in the process of finding a replacement gets added together, that it could exceed the annual salary of the person being replaced (Allen, Bryant, & Vardaman, 2010). Considering all these arguments in favour of retaining staff, the impact of psychological



contract breach on retention and the relationship between psychological contract breach and retention was considered in greater detail.

Breach of the psychological contract was found to contribute to staff leaving the organisation since they felt that they were no longer valued for their contributions and that they no longer identified with the organisation (Zagenczyk, Gibney, Few, & Scott, 2011; Zagenczyk et al., 2009). Psychological contract violation in turn was found to have a strong association to the propensity of employees to leave the organisation (Freese & Schalk, 2011). This is not to say that psychological contract breach is guaranteed to lead to more staff leaving. Employees were found to perceive the breach as less severe if it was not within the control of the organisation (Turnley & Feldman, 1999) and are expected to act differently from the expected anger when perceiving the situation to be outside the control of the organisation (Chao, Cheung, & Wu, 2011).

An example would be when perceived psychological contract breach takes place due to a company cutting back on expenses and related benefits in a recessionary environment. If this is perceived to be outside the control of the organisation the reaction of the employee is expected to be less severe (Chao et al., 2011). Employees may have lowered expectations when they comprehend the situation and this reduction in their expectation could by chance bring them in closer alignment to the level of commitment that the manager is willing to make under the circumstances. It was further proposed that employees that are valued for their contributions to the organisation get fulfilment of their social needs and this supports retention even when companies go through difficult periods where they are unable to provide tangible incentives to employees such as increases and bonuses (Zagenczyk et al., 2011). The impact of the recession could be considered as a moderating influence to the expectation of the employee. This possibly brings greater alignment in the expectation than would be the case when expectations are unmet in an environment that the employee perceived the organisation to control.

Should the employee not perceive the situation to be outside the control of the organisation when it was in fact outside of its control, misaligned expectations and commitment may result. Testing for the association between strongly aligned expectations and the intention to leave the organisation could lead to greater understanding about the intention to leave the organisation relative to the extent of misalignment present.

Once again the important role of the manager as participant in this relationship where alignment is looked for was noticed for its potential to also impact the propensity of the employee to leave the organisation. The role of the manager in this relationship is further explored to support the proposition that the psychological contract should also be viewed from the point of view of the manager and not just the employee.

### **2.3.6 Role of leaders and the organisation in the psychological contract**

In the organisation the actions of the leader are seen as the actions of the organisation itself (Eisenberger & Huntington, 1986). Actions performed by the leader as representative of the organisation determines the view the employee has of the organisation and ultimately the level of commitment that the employee senses from the organisation. This underlines the importance of the relationship that the employee has with the manager as a determinant of for example staff turnover (Vandenberghe & Bentein, 2009).

The potential for different leadership styles to associate with better-aligned psychological contracts has to be considered. Leadership styles impact the wellbeing of employees but there remains uncertainty about how this takes place (Skakon, Nielsen, Borg, & Guzman, 2010). Transformational leadership was found to have various positive effects on workplace outcomes and a model that met the psychological needs of employees well (Hetland, Hetland, Andreassen, Pellesen, & Notelaers, 2011).

A leader that causes psychological contract breach risks an increased propensity for employees to leave the organisation as well as lower levels of trust (Bal et al., 2008). It could further result in lower levels of motivation to carry out functions contained within and outside of the formal contract due to employee disappointment with unmet expectations (Kiewitz et al., 2009) that may also lead to other negative behaviours as indicated before.

The importance of the relationship between the employee and leader is further underlined when considering the ability of the leader to direct resources and play a role within the organisation to create support for advancement of the employee. Leaders have access to various resources based on their position within the organisation and choose how to distribute these resources to subordinates (Schwind Wilson, Sin, & Conlon, 2010). The level of influence or power that the leader has to secure resources in conjunction with the extent to which the leader chooses to distribute these resources to the subordinate in a high quality

leader-member exchange relationship (LMX) impacts the employee commitment to both the manager and the organisation simultaneously and positively (Walumbwa, Cropanzano, & Goldman, 2011). Thus the perception of potential access to resources may impact psychological contract expectations but one also has to consider that a manager with access to greater resources may be more able to fulfil those expectations and thus achieve greater alignment to the expectations of the employee. It comes to mind that managers with greater access to resources will be expected to be able to better support the development of the employee and create an enabling environment where they are able to achieve.

While the relationship that the employee has with his direct manager as the primary representative of the organisation and the ability of the manager to distribute resources is clearly important, it has to be considered that there are situations where the direct manager is not perceived by the employee as the primary connection to the resources he requires (Dulac et al., 2008). This proposition illustrates that the psychological contract held by the employee may also be impacted by other managers in the organisation. This highlights a potential risk to the level of control that the manager can exercise over the extent of alignment in the psychological contract. A scenario could develop whereby the expectations that the employee has was created by a manager other than his direct manager, an interviewer during the interview process other than their direct manager or even by the interpretation the employee makes of employment manuals (Suazo et al., 2009). The manager could be unaware of employee expectations created by another manager. If they should fail to deliver on the expectation that the employee has, the outcome could be influenced by this unknown expectation. Thus an understanding of the extent that this alignment between the employee and his manager associates with workplace outcomes becomes crucial in understanding how influences impacting the psychological contract beyond the immediate relationship has the power to override the immediate relationship. If alignment is shown to have no association with propensity to leave the organisation, it may be an indicator to such an effect.

Understanding the exchange between the manager and the employee more thoroughly could present theory that suggests possible solutions to this concern about the level of control that the direct manager has of the expectations created. Leader-member exchange (LMX) theory will be considered for support.

### 2.3.7 Psychological contracts and the leader-member exchange (LMX)

Leader-member exchange (LMX) is a well-known model that speaks to the exchanges that take place between managers and employees and how the quality of these exchanges are associated with positive workplace outcomes (Walumbwa et al., 2011). In relationships that experience a high level of quality in the exchanges between the employee and manager, the expected outcome was for the employee to have an increased feeling of obligation to reciprocate the benefit they receive from the relationship (Dulac et al., 2008).

Likewise employees are also less likely to respond affectively to psychological contract breach when they experience high quality leader-member exchange (LMX) relationships (Dulac et al., 2008). The high quality relationship with the direct manager and other leaders or mentors within the organisation may also reduce the negative impact should a psychological contract breach take place (Zagenczyk et al., 2009).

The relationship between psychological contracts and LMX has not received a lot of attention in research circles (Dulac et al., 2008). While exchanges may be taking place the quality of the exchanges need to be such that it is valued by both the employee as well as the manager. Being valued by both parties simultaneously speaks to the exchanges taking place being aligned.

The relationship with the leader is seen as one of the main factors that impact the propensity of the employee to leave (Vandenberghe & Bentein, 2009). Psychological contract breach brings an element of stress to the relationship but the response to the breach may be less severe when the employees perceive that they receive a level of social support from their manager (Dulac et al., 2008).

The theory of leader–member exchange (LMX) further proposes that managers and employees build unique relationships of varying quality that result in different levels of performance and organisational citizenship behaviour (Walumbwa et al., 2011). Relationships between leaders and subordinates take on various different forms and it was found that subordinates that are in high quality relationships lead to subordinates gaining access to benefits that other employees do not enjoy when in a relationship of lesser quality according to Graen & Uhl-Bien (as cited in Skakon et al., 2010). Managers and employees may not always want their relationships to continue though. The quality of the relationship

has an impact on the likelihood that a manager will intentionally breach the psychological contract (Dulac et al., 2008) knowing the risks to commitment, performance and propensity to leave. Thus there may also be instances where the employer signals to the employee through lower quality exchanges such as a complete lack of reciprocation and a more deliberate incongruence that the relationship is not expected to continue.

High quality exchanges between managers and employees may also have an affective impact on the relationship and result in the parties becoming committed to each other (Cropanzano & Mitchell, 2005). The quality of the exchange was found to support stronger commitment to managers and to be associated with higher levels of performance (Walumbwa et al., 2011; Cropanzano & Mitchell, 2005) while also reducing the negative impact of psychological contract breach according to the social support perspective (Restubog S. L., Bordia, Tang, & Krebs, 2010).

Relationships between managers and employees develop differently with not all achieving the same levels of quality in the exchanges that take place (Dulac et al., 2008). In psychological contract theory relationships where a high level of supportiveness existed was found to moderate the association between performance and fulfilment when measured over a short term (Conway & Coyle-Shapiro, 2012). The justification offered for this outcome was that the parties are more forgiving in a supportive relationship and may thus accept lower levels of performance yet still achieve high levels of psychological contract fulfillment over the short term (Conway & Coyle-Shapiro, 2012). The longitudinal study by Conway & Coyle-Shapiro (2012), however, also revealed that this moderating effect diminished over time. Thus if a perceived high quality relationship is in place the lowered short term expectations may result in a less severe performance adjustment by the employee as a consequence of being more forgiving to perceptions of breach in the short term. Further positioning the level of alignment between the expectations and commitments of employees and managers as a quality element of the relationship and how it associates to the performance of the employee, may contribute towards greater understanding of this phenomenon along the short term perspective.

Care must be taken to assume that high quality LMX guarantees positive workplace outcomes though. Aligned to the theory that supportive relationships mediate the association between psychological contract fulfilment and performance in the short term, it was found that higher quality exchanges may result in a more severe fallout if psychological contract

breach takes place, due to the high quality exchanges leading up to the point of breach building a foundation for higher employee expectations (Restubog S. L. Et al., 2010; Dulac et al., 2008; Bal et al., 2010). The severity of the affective reaction to a perceived breach event depends on the perception the employee will have of the severity of the impact on his personal goals (Zhao et al., 2007). In the context of this study it would seem that the shock of a change to a high quality exchange relationship is more severe and thus proposed as being similar to a sudden misalignment that halted reciprocity. This is a reminder that the level of alignment may serve as an indicator of the extent of the discourse between the employee and manager, and could also be an indication of the extent of discourse created by psychological contract breach that has taken place at some point or over time. Thus it is expected that greater differences in alignment would associate to lower perceived performance levels. This study will proceed to test the validity of the proposal.

Although the alignment in the psychological contract will be tested for its association to the performance rating of the employee, it has to be considered that this performance rating by the manager is potentially prone to bias of the manager (Whitely, Sy, & Johnson, 2012). Accepting that bias may be present the interpretation of results as far as the association of alignment to performance is concerned will have to be scrutinised with this in mind and not oversimplify the conclusions drawn from the results.

The frequency of the interaction between the manager and the employee also has to be considered for its contribution to the exchange relationship. LMX theory indicates the probability that more frequent interaction between the manager and employee improve the relationship (Greguras & Ford, 2006). It is indicated as a probability because the quality of the exchange also contributes to improved relationships (Walumbwa et al., 2011). In combination the need for a quality interaction and the frequency of the interaction may signal opportunities to create alignment and reciprocation in the psychological contract. As described before, the actions during interdependent interactions have to be reciprocated to be perpetuated. Reciprocation and mutuality is studied further to understand its impact on the psychological contract and as support for the importance of finding psychological contract alignment.

### 2.3.8 Mutuality and reciprocity in psychological contracts

Mutuality can be defined as the interpretation and mutual understanding by managers and employees of the expectations that they hold of each other in terms of promises made (Dabos & Rousseau, 2004). In terms of alignment between the expectations and commitments between the employee and manager there has to be a level of mutual understanding to find alignment, while reciprocity also has a role to play in the interactions between employee and manager to ensure mutual benefit.

Reciprocity is the perception of the manager and the employee of the equality of the return on the investment made. Thus the reciprocity behaviour is guided by a feeling of obligation based on a perception of the value contained in what was received from the relationship. The reciprocal action is then expected to give the receiving party some benefit or in the least to not harm the receiving party in any way (Lee et al., 2011). Reciprocity was also seen to have an impact on the degree of psychological contract fulfilment (Lee et al., 2011) and a cause of trust in the relationship between the parties to a social exchange (Shore et al., 2009). This link between reciprocity and fulfilment that impacts an outcome will be carefully considered in the interpretation of results obtained from the study.

Cropanzano & Mitchell (2005) distinguishes different types of reciprocity, as either a “transactional pattern of interdependent exchanges”, as “folk belief” or as “a moral norm”. “Folk belief” is about the belief that in the long run things work out for the best and people get what they deserve, thus the parties to this type of reciprocal relationship may be more passive and not react as severely as may be expected when their actions are not reciprocated to the extent that they expect. “Moral norm” type reciprocity could be expected to be more severe in its reaction to unreciprocated actions, since its focus is on compliance and punishment for noncompliance. The “interdependent exchange” type of reciprocity is more about all exchanges being considered together and not simplifying reciprocity to a single exchange that either party reacts to (Cropanzano & Mitchell, 2005). Lack of reciprocation may thus give rise to a reaction on the part of either party to the exchange in various degrees of severity, and could be considered for its impact on the psychological contract and ability to impact outcome variables such as performance in the workplace. The reaction referred to here link to the literature that describe the experience of breach and the reaction that parties to the social exchange may have to such breach.

Just as the reaction to a lack of reciprocation may differ between people, so too are all parties to a social interaction not expected to display the same need for reciprocity (Cropanzano & Mitchell, 2005; Shore et al., 2009). It was found that individuals have either a high or low exchange orientation where high exchange orientation will be typical of individuals that closely monitor the reciprocity of the exchange to note discrepancies that may appear and are also more likely to respond to the actions of the other party to the exchange (Cropanzano & Mitchell, 2005).

This close monitoring of the relationship by managers and employees as the parties involved in the exchange with high exchange orientation, and the expected positive reciprocation of positively perceived actions, and negative reciprocation of negatively perceived actions, could be significant when considered that most psychological contract literature focus on the employee expectations. Should the manager in the relationship experience that his actions are not sufficiently reciprocated by the employee, it stands to reason that the manager will also respond based on their exchange orientation and perception of the acceptable level of reciprocation.

It was also proposed that employees display different levels of reciprocity based on their level of certainty or trust about the potential for their action to be reciprocated or not (Shore et al., 2009). Misalignment in the psychological contract could thus in part be explained by the position of the employee or the manager on a continuum of exchange orientation or certainty. When reciprocity is considered in this light and especially the scenario where both the manager and employee may have high exchange orientation, the need for alignment may become so much more relevant since both actors are keeping a close watch on the level of reciprocation received.

Based on the variability present in the perception of the managers and employees in the relationship, it is proposed that reciprocity on psychological contract constructs may add a deeper level of explanation to the workplace outcomes observed. This additional dimension is needed to ensure a more complete understanding of how the manager and employee are in agreement to the level of mutuality and reciprocity expected. For the purpose of this study this will be referred to as alignment. Studying the alignment of reciprocal psychological contract constructs would allow for the differences in expectations of mutuality and reciprocity to be negotiated by exploring how well the reciprocal expectations are met and how it associated to workplace outcomes.



Linking the theory around reciprocity to the theory of psychological contract breach in social interactions finds support in the response of employees to the perception of psychological contract breach. Employees may respond to perceived breach by trying to regain balance in the relationship through their behaviour, described as counterproductive workplace behaviours (CWB) ranging from increased absenteeism and abuse of office stationery to inappropriate use of workplace Internet access (Chao et al., 2011). This attempt to regain balance in the relationship refers to the existing misalignment in the level of perceived reciprocity received from the manager. This is addressed by the employee through negative behaviour.

The reciprocity theory further links into the leader member exchange theory (LMX). When the exchange between the manager and the employee takes place, both actors will be forming their perception of the reciprocity expected and received within the exchange, and as such the relationship is balanced or not (Cogliser, Schriesheim, Scandura, & Gardner, 2009). It has to be considered further that psychological contract breach differs depending on the quality of the leader member exchange (LMX) preceding the breach with the level of negative response inversely related to the level of quality in the exchange (Restubog S. L. et al, 2010). Where the research findings by Restubog S. L. et al. (2010) were not able to explain the underlying reasons for the effect, it is proposed that the lack of alignment between the expectations of the reciprocal actions by managers and employees during LMX may provide further insight into the extent that misalignment explains this phenomenon.

Studies of mutuality and reciprocity are not very common. In their study of the levels of mutuality and reciprocity that exist in manager-employee relationships as a paired psychological contract, Dabos & Rousseau (2004) focused on an academic environment that they proposed as defining a typical setting and relationship that exists between a researcher and research director. Doing a study of the degree of alignment in the psychological contract in a non-Western commercial environment may add knowledge of the relationships that exist and develop between managers and employees to better understand how workplace outcomes are associated with such alignment and how psychological contract alignment can be beneficial to these relationships.

### 2.3.9 Impact of demographic and external variables on psychological contracts

Psychological contracts are potentially impacted by many variables. In addition to the effects that managers and the organisation have on the psychological contract, research by Bellou (2009) found it to be impacted by the gender, age and educational level of employee. Cultural values were also found to impact the type of psychological contract formed for different age groups and nationalities (Zhao & Chen, 2008).

There have been studies though that found that gender differences, sexual orientation differences and racial differences did not impact leader-member exchange (Matkin & Barbuto, 2012). Leader-member exchange is relevant because the interaction between managers and employees described through LMX theory determines the relationship between them and essentially the psychological contract (Suazo, Turnley, & Mai-Dalton, 2008). In the study by Suazo et al. (2008) the findings also presented no difference in the perception of breach due to gender or racial differences.

Bellou (2009) found support for female employees valuing most employer commitments more than their male colleagues, such as respect and support from supervisors and co-workers, open and honest communication, benefits and equal opportunities. Male employees had a greater need than their female colleagues to be involved in decision-making that impacted on the company. The impact of these differences has to be considered with caution though considering that it was found that generational differences and career stage did not offer significant explanation of differences between psychological contracts (Hess & Jepsen, 2009). External and legislative influences may also impact the psychological contract (Wöcke & Sutherland, 2008).

Partial support was found that confirmed different expectations of the psychological contract for different age group categories ranging from the new workforce entrants younger generation to older generations (Bellou, 2009). In another study age was found to have a positive correlation to retention of employees, with older employees having decreased intention to leave the organisation (Govaerts et al., 2011). A possible explanation of this observation was offered as older employees being found to be better at regulating their emotional response to psychological contract breach (Löckenhoff & Carstensen, 2004). Considering the emotional response of an employee referred to being by definition an affective response (Zhao et al., 2007), this affective response of older employees to

psychological contract breach is thus expected to be different from their younger colleagues. Psychological contracts are also found to become more stable over time, thus as employees age their expectations of the employer are less likely to be impacted by changes in the organisation or relationship to the employer (Bal et al., 2008).

Tenure was found not to moderate the association between fulfilment and performance and vice versa (Conway & Coyle-Shapiro, 2012). The possible explanation offered for this observation was that the association got potentially stronger due to the employee gaining improved understanding of the performance requirements over time (Conway & Coyle-Shapiro, 2012) and agreement on what obligations they have (Tekleab & Taylor, 2003). It was however found that tenure also did not moderate the relationship between breach and commitment, but that it moderated the relation between breach and trust (Bal et al., 2008). This illustrated that tenure would not be expected to align with age in predicting workplace outcomes if breach should take place. When taking the extent of alignment in the psychological contract as an indicator of increased risk to breach taking place as misalignment increases, the workplace outcomes would not be expected to be impacted by tenure the same way that other demographic variables do.

In a similar vein, longer tenure was shown to associate with less of a transactional psychological contract orientation by the employee (Millward & Hopkins, 1998). In a study where the alignment between employee and employer psychological contracts is tested with transactional and relational elements included, the expectation would thus be for the employee that has short tenure to be more oriented towards a transactional contract.

It was also found that the expectations that employees have of employers experienced the greatest amount of change during the first year of employment and that the new employees did not display the same level of attachment to the company (Lee et al., 2011). The significance of this is in recognising that should psychological contract alignment associate to positive workplace outcomes, it would indicate the possibility that a more frequent need for alignment to take place during the early stages of employment.

The Bellou (2009) study found partial support that the level of expectations increased as the level of education achieved increased. Employees that achieved higher qualification levels such as college degrees and above tended to have greater psychological contract expectations while employees with lower qualifications had lower expectations. The literature

is not clear, though, when it comes to the relationship between education levels and retention, with studies making contradicting conclusions (Govaerts et al., 2011).

Of the three elements impacting the psychological contract, gender was found to explain the greatest difference in employee requirements (Bellou, 2009). When the combination of differences between employees are considered by taking just the three elements of age, gender and education levels into account, it could make it very difficult to predict or control workplace outcomes when the multitude of potential variables are considered. The context of the study by Bellou (2009) also has to be taken into consideration before generalising the results. The study was done among Greek employees representing various industries. Based on the research into national cultures by Hofstede (Hofstede, 2003) there are some telling differences to consider when comparing cultures.

Without going into great depth around the impact of cultural differences between Greek and South African employees and managers, the point is that there are cultural differences that may impact the results. When considering that there are also cultural differences between managers and employees within the more limited South African workplace context, it is considered for its potential to impact the results.

In addition to the variety of variables impacting the psychological contract already discussed, psychological contracts are also subjected to changing organisational factors on an ongoing basis and within this changing context employees make new assessments of their contracts (Millward & Hopkins, 1998). Considering this dynamic nature it is proposed that the degree of ongoing alignment between the reciprocal and mutual expectations and commitments of the employee and manager, and how this alignment associates with workplace outcomes, is of importance to understanding working relationships.

Alignment of the psychological contract should further be considered in light of the formation of idiosyncratic employment relationships, where traditional employment relationships are criticised for assuming homogenous employment contracts (Rousseau et al., 2006). It was also observed the same study that different workplace behaviours among employees could be due to idiosyncratic elements within their psychological contracts. Thus the association of an aligned psychological contract to workplace outcomes could provide a theoretical base for managers and employees to improve workplace outcomes by reaching alignment.

While the influence of the variables mentioned are not the specific focus of the study it is presented as support for the multitude of differences that may exist between managers and employees and that could ultimately impact alignment. There also seems to be an amount of disagreement about the impact of these variables on the outcomes from different studies. Due to the disagreement in the literature about the impact of demographic variables this research report will seek to position the impact of some of the differences between managers and employees for their possible impact on psychological contract alignment and the related workplace outcomes.

## 2.4 Conclusion

The literature review confirms that the psychological contract is a multi-faceted and complex mechanism impacted by multiple variables. It is also positioned as a relevant theory that combines well within social exchange theory (SET) and with literature on leader member exchange (LMX) to add value to greater understanding of the workplace.

The psychological contract was further positioned for its ability to inform workplace outcomes such as performance, organisational commitment and the propensity of employees to leave the organisation. The more specific role of leaders or managers in their relationship with their employees was also described for its contribution within the psychological contract theory in combination with LMX and the concepts of mutuality and reciprocity to support social exchange theory in a workplace context.

As a final consideration attention was given to the potential of demographic and other external variables to impact workplace relationships. It is proposed that the consideration of various aspects that make up the psychological contract by the employee has the effect of creating an overall perception of either fulfilment or breach in the entire contract. This effect speaks to the degree of alignment between what the employee expects and what the manager is reciprocating to the unique needs of the employee.

The association of psychological contract alignment to organisational commitment, propensity to leave and performance will be explored in more detail to position the diverse outcomes as having positive associations to alignment in the psychological contract.

## Chapter 3: Research propositions

### 3.1 Research proposition 1:

Psychological contract alignment is associated with greater workplace performance.

### 3.2 Research proposition 2:

Psychological contract alignment is associated with greater organisational commitment.

### 3.3 Research proposition 3:

Psychological contract alignment is associated with a reduced propensity to leave the organisation.

### 3.4 Research proposition 4:

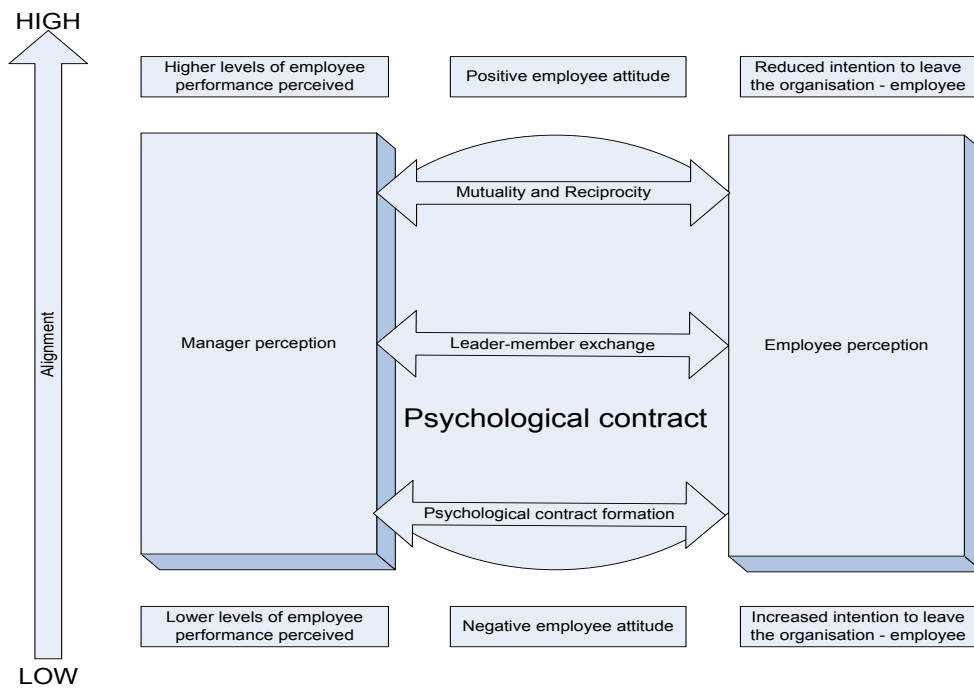
The degree of psychological contract alignment, performance, commitment and propensity to leave of same gender dyads differ from mixed gender dyads.

### 3.5 Research proposition 5:

The degree of psychological contract alignment, performance, commitment and propensity to leave of same population group dyads differ from mixed population group dyads.

In order to present a view of the propositions made the model following on the next page as informed by the literature review was created as a link to the rest of the chapters in the report.

Figure 3 - Graphic representation of proposed model



## Chapter 4: Research Methodology and Design

### 4.1 Research design

#### 4.1.1 Research philosophy

The study contained elements typical of both interpretivism and positivism. Interpretivism is a philosophy followed when studying employees as social actors in the workplace as their natural environment and is the recommended relevant approach for studies in the fields of organisational behaviour and human resource management (Saunders & Lewis, 2012). Positivism is an approach that can be characterized by the study of causal relationships between variables in an experimental fashion (Saunders & Lewis, 2012) to create generalisable rules (Polonsky & Waller, 2011) and is often characterized by quantitative analysis (Saunders, Lewis, & Thornhill, 2000). The interpretivist element of this study lies in the way that the employee and employer relate through the psychological contract within the social setting of the organisation. The positivist element lies in the quantitative approach to analyzing the association between the level of alignment found in the psychological contract and the workplace outcomes. A pragmatic approach in research design philosophy will thus be followed since it allows the researcher to follow different philosophies as appropriate to the objectives and research questions (Saunders & Lewis, 2012).

#### 4.1.2 Research approach

Making observations based on the analysis of data captured during the study and then establishing theory based on the observations is the definition of the inductive research approach (Saunders & Lewis, 2012). This approach is also suggested as appropriate to studying the phenomenon in different organisational settings to give a broader view of the general application of the theory (Saunders & Lewis, 2012). In this research report the quantitative responses of employees and managers were captured and analysed. The results were tested against existing theory for interpretation to determine if new theory could be developed around the level of alignment found in psychological contracts and the workplace outcomes tested.



### 4.1.3 Study type

A quantitative explanatory study can be used to explain the relationships between variables (Saunders & Lewis, 2012). In this research study an explanation of the association between the levels of alignment in the psychological contract as the independent variable and dependent workplace outcome variables were sought. The study took place over a limited time period between March and September 2012 and from a cross section of the South African population, and is defined as a cross sectional data study (Albright, Winston, & Zappe, 2009).

The Psychological Contract Inventory (PCI) scale developed by Rousseau (2000) was used as the basis of the questionnaire to establish alignment of the psychological contract from the employee and employer view. The PCI was evaluated with other psychological contract scales and recommended based on its content and construct validity (Freese & Schalk, 2005). The questionnaire development will be described in more detail in section 4.5.

### 4.1.4 Research strategy

A structured questionnaire was presented to be completed by managers and employees individually, and then matched for further analysis. The use of surveys is a popular method in business and management research (Saunders & Lewis, 2012). Among the benefits of the survey approach are that it allows the researcher to gather a large amount of data in inexpensive ways by using a single questionnaire sent to many respondents. Technological advances in internet technology have also made the distribution of surveys to many people easy and cost effective through online tools such as Survey Monkey™.

The responses on matched items in the scales were compared and the difference in scoring recorded as a measure of alignment similar to the method used by Dabos & Rousseau (2004) in their study of the mutuality and reciprocity in psychological contracts.

To gain support for the completion of the survey the senior Human Resource manager or other managers with the necessary influence and credibility in the business being approached were asked to support the initiative. The contact within the business was then requested to distribute the questionnaire to some managers and employees within their business to participate or to suggest potential respondents that could be contacted by the

researcher direct. The request was for each manager to complete the questionnaire for at least one of their employees randomly selected, although managers were also allowed to complete questionnaires for more than one of their direct reporting employees.

The approach of requesting managers to complete at least one questionnaire for one employee was to reduce the risk of rater fatigue that could take place if managers have to complete multiple questionnaires. High response rates are needed to ensure that the sample is representative of the population (Saunders et al., 2000). Avoiding the risk of rater fatigue is seen to contribute to greater response rates and more reliable response data.

## **4.2 Research universe / population**

The population for this study was employees and managers within South African Industry. South African Industry will be classified according to the Standard Industrial Classification, also known as SIC codes (Statistics South Africa, 2009).

Restubog et al. (2007) suggested that there is a need for more psychological contract research to be carried out in non-western cultural contexts. A study of psychological contracts in the South African business environment could add value on the basis of the diversity of the workplace cultures as well as being within an emerging market environment.

## **4.3 Unit of analysis**

The unit of analysis was the level of alignment in the psychological contract between the employee and the employer as represented by the manager.

## **4.4 Research sampling**

### **4.4.1 Sampling technique**

A combination of methods will be used for sampling. A non-probability convenience sampling technique was used to target companies that operate in South Africa. While convenience sampling is criticised as a sampling methodology due to an increased likelihood for the

introduction of bias (Saunders et al., 2000) it was used as the first step in identifying companies for participation.

Existing business contacts were approached for contact information of a senior Human Resource manager or other managers with the necessary credibility and influence in their organisations. The contact person within these companies was then approached for cooperation in the study and requested to present the invitation to potential respondents.

#### **4.4.2 Sampling frame**

The sampling frame is defined as the complete list of all cases in the population (Saunders et al., 2000). Even though an estimation of the quantity of employees in the population is available from the Quarterly Labour Force Survey, the sampling frame cannot be definitively determined by knowing all cases in the population.

Probability sampling is not the right option for this study due to the amount of assumptions made to determine a reasonable estimate of the population. The estimates will merely be used to assist with making a reasonable judgment of the sampling size.

Considering that employee expectations may be created during the recruitment process (Restubog. et al., 2010) it is proposed that the length of employee tenure does not have to be a condition for inclusion in the research.

#### **4.4.3 Sample size**

The entire South African labour force is estimated at 13,422 million people of which 1102 thousand are managers (Statistics South Africa, 2012). Samples are typically used when it is not practical to survey the entire population or if the study is constrained due to either time or cost factors (Saunders et al., 2000). It is clearly not feasible to have all employee and manager groupings in the South African labour force complete the questionnaires for this study. A sample of the labour force has to be used that will provide sufficient data to draw conclusions about the population from the analysis.

If all managers in the population were known and one employee per manager selected for this study, the population would consist of 1102 thousand pairs based on the number of managers (Statistics South Africa, 2012). The sample size based on a 95% level of certainty would be 384 pairs (Saunders et al., 2000).

Greater sample sizes enable the researcher to make generalizations about the results with more confidence (Saunders et al., 2000; Osborne, 2008) since the sampling error gets smaller with larger samples (Albright et al., 2009). The increased cost associated with collecting more data has to be offset against the benefit gained from greater confidence in the results and the decision about the sample size is thus also one of judgment (Saunders et al., 2000).

In their study of the mutuality and reciprocity in psychological contracts of employees and employers, Dabos and Rousseau (2004) defended the use of a sample of only 96 respondents that yielded acceptable results.

It was further considered that the independent variable consist of 5 construct levels that will interact with 3 dependent variables. Tabachnick and Fidell was cited in Pallant (2010) recommending that the minimum sample size is determined by multiplying the independent variables with 8 and adding the result to 50. In this study there was 5 independent variables, thus a sample of 90 would be recommended.

Based on these guidelines a sample of between 100 and 150 pairs was the target for this study. A sample of 150 requires that the employee questionnaire is completed by 150 employees and that the employer questionnaire is completed by 150 of their managers. This sample size was seen as a stretch target quantity considering the limited time available to collect data for this study.

Finding paired samples in such numbers was one of the greatest challenges in this study. In the study by Dabos & Rousseau (2004) where the adapted PCI instrument was used, a response rate of 89.72% was achieved. Such a high rate could be unique to the environment that the study was conducted in, and it was expected that the response rate in the proposed study would be lower. Response rates to questionnaires are estimated to be from 50% to 92% (Saunders et al., 2000).

To increase the completeness of the responses the online survey tool using Survey Monkey™ was designed to limit progress unless compulsory fields were completed.

## 4.5 Research instrument / measurement

### 4.5.1 Questionnaire design

To conduct this quantitative study by way of a questionnaire it was decided that an instrument should be used with content and construct validity. The Psychological Contract Inventory (PCI) developed by Rousseau (2000) was evaluated with other psychological contract scales and recommended based on its content and construct validity (Freese & Schalk, 2005).

The PCI (Rousseau, 2000) was previously adapted to measure the mutuality and reciprocity present in the dyadic psychological contract in a scientific research environment (Dabos & Rousseau, 2004). This environment was chosen on the basis of the type of relationships between the research director and scientific researcher being to a lesser degree exposed to other organisational role players that could impact the psychological contract beyond the immediate manager. Since the instrument was specifically developed for the research environment, it was decided to revert back to the original version of the PCI as the starting point for developing an instrument for the commercial environment that this research report will be based on.

The questionnaire consisted of various groupings or constructs that each informed a different aspect of the psychological contract. These constructs were performance support, development, narrow, loyalty and fulfilment. In turn each of the constructs could be classified under different psychological contract forms or elements. Performance support and development was positioned as a balanced psychological contract scale, narrow as a transactional contract scale, and loyalty as a relational contract scale with fulfilment a construct on its own. The work of Rousseau (2000) is credited with this arrangement. The items used in the questionnaire are matched to their construct level element for reference in Annexure D and presented in the order that they were used in the questionnaire.

The questionnaire items were randomly shuffled to deliberately disrupt the structure of the constructs to ensure that the questions did not become too repetitive and similar when moving from one item to the next.

The original version of the PCI catered for responses by the employee only. To study the alignment of the psychological contract in a commercial environment the original version of the PCI was used but adapted to cater for responses by the manager as representative of the employer.

To measure the workplace outcomes relevant to this study scales were sought for employee performance, organisational commitment and propensity to leave. Performance was measured with the 5 point Likert scale Role Based Performance Scale (RBPS) developed by Welbourne, Johnson, & Erez (1998). Permission was required from the first author in the case of the RBPS. This permission was obtained with a copy available in Annexure B. Organisational commitment was measured by using the short form 7 point Likert scale version of the questionnaire developed by Porter and Smith (as cited in Cook, Hepworth, Wall, & Warr, 1981).

Propensity to leave was measured with the three item measure developed by Lyons (as cited in Cook et al., 1981). The questionnaire consisted of 3 items of which two tested the likelihood of continued tenure and one question testing length of likely continued tenure. The response dimensions for the questions were not described in detail, and the author opted for simple yes or no responses to the questions testing likelihood of continued tenure. While this may be seen as a weakness of the study that could impact the results, there is support for scales of 8 or less scale points to result in decreased correlations, also referred to as the coarseness of the scale (Aguinis, Pierce, & Culpepper, 2009).

The dependent variables are propensity to leave, organisational commitment and employee performance. Propensity to leave was measured in the employee questionnaire with a scale developed by Lyons (as cited in Cook et al., 1981). Organisational commitment was measured by a 7 point Likert scale in the employee questionnaire as developed by Porter and Smith (as cited in Cook et al., 1981). Employee performance was measured in the manager questionnaire with the Role Based Performance Scale (RBPS) developed by Welbourne et al., (1998).

A complete survey consists of combining the separate manager and employee surveys into one cohesive response. Each questionnaire had the following sections:

- Informed consent statement and introduction to the research study. This section also contains the contact details of the researcher and supervisor.
- A section that captures demographic and company data. The names of the manager and employee will also be captured in this section to allow matching.
- The questionnaire section.

#### 4.5.2 Pre – testing

Pilot testing is a way of determining if the questionnaire needs to be changed to enhance the understanding the respondents may have of the questions and ultimately improve the accuracy of the responses while also giving the researcher the opportunity to assess if the questionnaire returns reliable and valid data (Saunders et al., 2000).

The scale of pilot testing depends on the scale of the research that is planned as well as the amount of resource and time available to conduct the testing (Saunders et al., 2000). It is however recommended that the pilot testing is done by no fewer than 10 respondents (Saunders et al., 2000).

The pilot phase was concluded with 12 employees and 10 managers taking part. Some potential issues were identified during the pilot phase. In some cases the respondents did not realize that there were to be an employee and manager response for each complete set. It was identified that this may in part have been caused by the instruction being unclear, as well as the questionnaires being named “Employee Questionnaire1” and “Employer Questionnaire1” looking similar when read quickly. It was decided to change the naming of the employer questionnaire to “Manager Questionnaire” to reduce the perception of possible respondents that these questionnaires were the same.

No technical issues were reported by the respondents. Most of the respondents also reported the time taken to complete the questionnaires between 7 – 15 minutes.

It became clear from the pilot study that the educational levels of the respondents placed too much emphasis on secondary school education and defined tertiary educational level too

narrowly, with most respondents indicating tertiary education. The questionnaire was adapted to break tertiary education down further into different levels of tertiary education.

Some data gathered was duplicated by the two questionnaires, for example both requesting industry information and employee tenure reporting to the manager. It was decided to remove the industry question from the employee questionnaire and keep it in the employer questionnaire. The question that captured the tenure of the employee reporting to the manager was removed from the manager questionnaire after the pilot revealed that similar results were reported and since it requests the same information. This would reduce the amount of time unnecessarily spent on capturing duplicate data.

## 4.6 Data collection

### 4.6.1 Data analysis

Once the data was collected using Survey Monkey™ it was exported to Excel for upload to the data analysis tool. All data analysis was carried out by the author using IBM SPSS Statistics 20 software.

The demographic variables organisational tenure, tenure reporting to manager, age, gender, population group and educational level were incorporated into the questionnaire for both the employee and manager responses. Descriptive statistics were run on the demographic variables.

Responses to the psychological contract items were captured for both the employee and the employer as represented by the manager. The employee questionnaire items required responses about the obligations the employee has to the organisation and the organisational obligations to the employee as viewed by the employee. In turn the manager responded by giving their view of the employee obligations and the organisational obligations to the employee. The reliability of the scales was tested by determining their Cronbach Alpha measure.

Absolute value differences between the matched responses of employees and managers were used as a measure of the alignment between the parties. Smaller differences were used to indicate greater mutuality and reciprocity in the psychological contract (Dabos &



Rousseau, 2004). This speaks to the level of alignment found in the psychological contract between the manager and employee. In turn greater differences in the matched responses indicate a lesser degree of alignment. Differences were measured on item level, construct level and aggregated for the entire psychological contract section as an overall measure of alignment.

Regression analysis can be used to study the relationship between variables (Albright et al., 2009). Stepwise multiple regression analysis was used to determine the ability of the independent variables to explain variation in the dependent outcome variables with maximum explanatory power while still adhering to the principle of parsimony (Albright et al., 2009). The stepwise regression was conducted where appropriate subsequent to initial Pearson correlations between variables being determined.

Research proposition 4 and 5 required that a test for the difference between means was done. Independent sample T-tests were carried out as the appropriate method (Pallant, 2010) to determine if there were any statistically significant differences in the mean responses of the samples.

## 4.7 Research limitations

There are limitations to the generalisability and application of the results of this study that should be considered with the results and before drawing from the study for a different environment. The limitations will be outlined below.

The study was done over a short period and with a limited sample of 106 matched pairs. To generalize the results such a study should be completed at time intervals where different conditions are present in the labour market that may impact the current study. The current global economic challenges are seen to be one such an environmental challenge that may have impacted the responses of employees to the study, especially in their responses to propensity to leave the organisation.

Two of the questions in the propensity to leave scale were answered as yes or no, with a value of 1 and 2 associated respectively. While the results showed strong correlations with alignment, a wider ranging scale may have produced different correlation results. It was however found by Aguinis et al. (2009) that what they referred to as the coarseness of the scale could in effect reduce the correlations. As far as this study is concerned it would mean that the correlation between the aligned psychological contract and its subscales to the propensity to leave could have been stronger if finer scales with greater ability to differentiate responses were practical.

## Chapter 5: Results

### 5.1 Sample description

The data collection started with approaching colleagues, network contacts and vendors to provide contact information of the Human Resources (HR) manager at their organisations. Where available the HR manager was contacted for permission to collect data from staff and managers within the organisation. In some cases the contact was able to provide the permission and distributed the request to participants in the roles of managers and their employees.

Fellow MBA students were also requested to support the project by providing contact information of the HR manager in their organisations. In some cases fellow students took part as managers or employees and assisted with the distribution of the questionnaire to their colleagues or people within their networks.

The data collection phase yielded 126 questionnaires started by managers of which 123 (97.6%) were voluntarily completed. Employees started 122 questionnaires and completed 116 (95.1%). The final sample yielded 106 responses where the manager and employee that report to them could be matched. Of all the questionnaires completed four questionnaires completed by managers and nine completed by employees could not be matched.

Of all companies approached and invitations distributed, 44 companies indicated that they were prepared to take part and support the project. In total 148 approved invitations went out to either the manager or the employee. Thus a 100% response rate would have yielded 148 paired responses to the study.

Of the 148 pairs invited, 123 (83.1%) managers and 116 (78.4%) of the employees completed their responses.

With the focus of the study on the alignment of the manager and employee responses, the analysis of data was kept to those where matched pairs were available, thus 106 matched responses. The final result of 106 matched pairs is a response rate of 71.6%.

## 5.2 Layout decision

The results section will initially be focused on giving background to the study in the form of descriptive statistics. Within this section the qualifying participant responses will be described around the industries represented, the gender of participants, the population group that participants belong to and the qualification levels of the participants. Qualifying participants are defined as those where employees could be matched to managers and vice versa. Participants that returned incomplete responses or responses that could not be matched were rejected.

Following the descriptive statistics section of the demographic and biographical information will be further descriptive statistics and results of the reliability testing of all the scales used. The reliability tests will be followed by correlation tests run on total scale and construct level for all the scales used and briefly discussed with the aim of providing support in response to the research propositions made in chapter 3. The results of the correlations are summarised on table 11a and 11b.

To this point the results provide background to the study. The more specific focus on each of the research propositions will start from section 5.5 where each research proposition will be more specifically analysed for the association of psychological contract alignment to the workplace outcomes as proposed in chapter 3.

Research proposition 4 and 5 will end off the results chapter with independent sample t-tests of the variance between the means of samples to support or refute the research propositions made.

### 5.3 Descriptive and scale reliability statistics

The industries represented were distributed as indicated in table 1. The greatest contribution to the sample came from the wholesale and retail trade followed by transport, storage and telecommunication. This distribution was to be expected and represents the accessibility to the industries through the various network contacts, mostly within the professional network of the researcher.

**Table 1: Industries represented**

	Frequency	Percent
Agriculture	4	3.8
Community, social and personal services	7	6.6
Construction	1	.9
Financial and business services	15	14.2
Manufacturing	12	11.3
Mining	1	.9
Transport, storage and communication	17	16.0
Wholesale and retail trade	49	46.2
Total	106	100.0

The gender distribution of managers and employees in the sample can be seen in table 2. Managers were mostly male and the majority of employees in the sample were also male.

**Table 2: Gender distribution**

**Manager and employee gender**

	Manager gender frequency	Manager gender percent	Employee gender frequency	Employee gender percent
Valid Male	71	67.0	62	58.5
Valid Female	35	33.0	44	41.5
Total	106	100.0	106	100.0

The population groups represented in the sample was distributed as indicated in table 3 for managers and employees. The management group was mostly white followed by the Indian / Asian group and black / African equally. While this is of some concern that the management is dominated by a group, the distribution may not be that different from the reality of the South African context as shaped by the employment history in the country.

Participating employees were more evenly distributed across the population groups although still mostly white employees participated.

**Table 3: Population groups of managers and employees**

**Manager and employee population group**

	Manager population frequency	Manager population percent	Employee population frequency	Employee population percent
Valid Black / African	13	12.3	24	22.6
Coloured	6	5.7	17	16.0
Indian / Asian	13	12.3	15	14.2
White	74	69.8	50	47.2
Total	106	100.0	106	100.0

The qualification levels achieved by managers and employees are displayed in detail under table 4. An expected outcome was achieved in the sense that the management respondents were distributed across the range of qualifications with more respondents achieving the higher level qualifications than the employee that were more heavily concentrated around the lower two levels of the scale.

**Table 4: Highest qualification achieved by managers and employees**

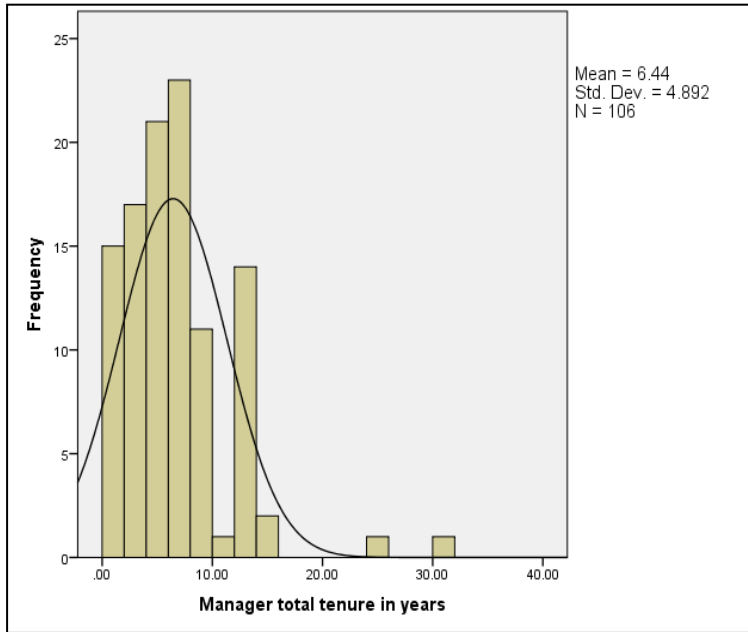
**Manager and employee highest qualification**

	Manager qualification frequency	Manager qualification percent	Employee qualification frequency	Employee qualification percent
Valid Secondary school completed	30	28.3	46	43.4
Tertiary study - Higher certificate diploma	27	25.5	40	37.7
Tertiary study - Bachelor's degree	26	24.5	14	13.2
Tertiary study - Honours degree	13	12.3	4	3.8
Tertiary study - Masters degree	10	9.4	2	1.9
Total	106	100.0	106	100.0

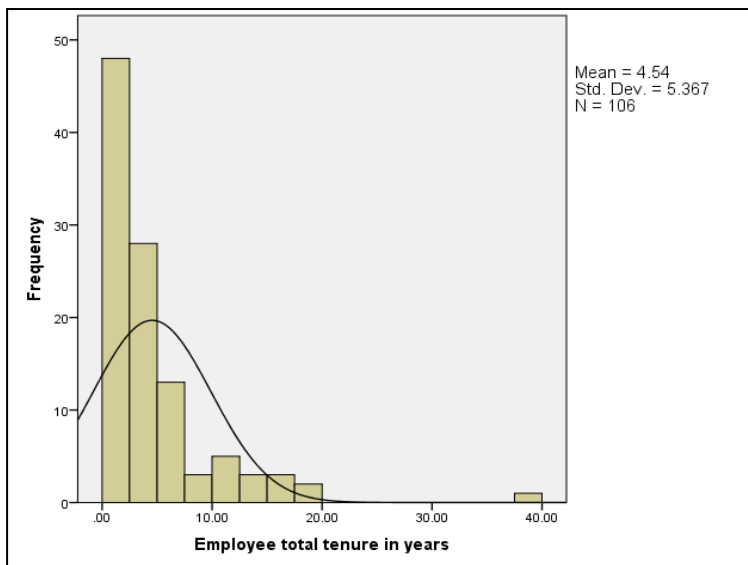
The distribution of tenure for managers and employees are shown as histogram 1 and 2. On average managers have been with the organisation longer than the employees have and the smaller standard deviation of the manager responses indicate that the tenure of managers was more tightly ordered around the mean.

The mean tenure for managers was 6.44 years with a standard deviation of 4.89 years. The mean tenure for employees was 4.54 years with a standard deviation of 5.37 years.

**Histogram 1: Manager tenure in years**

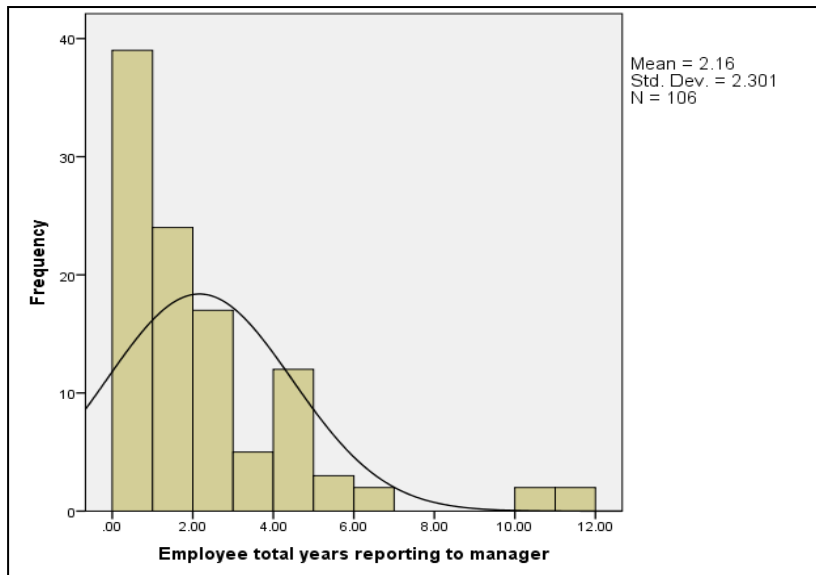


**Histogram 2: Employee tenure in years**



Employees in the sample were reporting to their current manager an average of 2.16 years with a standard deviation of 2.3 years. Very few of the employees were reporting to their current manager beyond 5 years.

**Histogram 3: Employee years reporting to manager**



The psychological contract scale was made up of 5 constructs: Development Balanced, Performance Support Balanced, Narrow Transactional, Loyalty Relational and Fulfilment. In further writing these will be referred to as development, performance, narrow, loyalty and fulfilment.

The employee scale consisted of these constructs and formed the base for the development of the manager questionnaire. The scales measuring the dependent variables were tested for reliability as was the case with the independent variable scales. In all but two of the cases, the Cronbach Alpha measure of reliability was above the required 0.7 level. All scales were analysed to determine if the scale reliability could be improved by removing some of the items from the scale. Where it was possible to improve the scale the consideration to proceed was dependent on the reliability of the scale exceeding the 0.7 mark and if the removal of a question would make a large difference to the reliability achieved.

Table 5 below indicates the descriptive statistics and reliability results of the constructs that made up the psychological contract scale. Some of the results flagged with \* need some further explanation.



The total employee fulfilment scale had two items removed from the original questionnaire since the reliability of the scale was too low with the two items included. The first test of reliability for the scale resulted in a Cronbach Alpha of .667 and thus the reliability of the scale was questioned. It was observed that the reliability could be marginally improved to .678 by removing the item “In general how well do you live up to your promises to your employer”.

Once the 3 item reliability test was performed, it was observed that reliability could be further improved to .896 by removing the item “Overall how well have you fulfilled your commitment to your employer”. Thus in further analysis of the role that fulfilment plays in the study, only two items were used.

This change to the employee fulfilment scale had the knock-on effect of the manager fulfilment also having to be adjusted to allow the two scales to be matched for the purpose of calculating the degree of alignment between manager and employee responses to the scale.

None of the scales that were derived from the manager and employee scales were tested for reliability since the reliability of the underlying scales were already proven.

The 3 item employee propensity to leave scale also had to be adjusted for reliability since the inclusion of the third item that tested the length of expected continued tenure by the employee violated the reliability model assumptions. Removing the item resulted in a high reliability amended scale as indicated in table 5 on the next page.

**Table 5: Descriptive and reliability statistics for scales used in the study**

<b>N=106</b>	<b>Number of items</b>	<b>Response range</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Reliability (Cronbach's Alpha)</b>
Total Manager Development Balanced	7	1 to 5	30.14	4.54	0.87
Total Manager Performance Support Balanced	6	1 to 5	26.74	2.65	0.79
Total Manager Narrow Transactional	8	1 to 5	32.35	5.27	0.87
Total Manager Loyalty Relational	7	1 to 5	24.62	7.22	0.86
Total Manager Fulfilment	4	1 to 5	17.36	2.23	0.76
Total Employee Development Balanced	7	1 to 5	28.39	4.90	0.82
Total Employee Performance Support Balanced	6	1 to 5	25.40	3.61	0.79
Total Employee Narrow Transactional	7	1 to 5	26.26	5.78	0.75
Total Employee Loyalty Relational	8	1 to 5	32.85	5.29	0.81
Total Employee Fulfilment	2*	1 to 5	8.08	2.08	0.90
Total Alignment on Development Balanced	7	1 to 5	6.57	3.77	NA*
Total Alignment on Performance Support Balanced	6	1 to 5	4.55	2.64	NA*
Total Alignment on Narrow Transactional	7	1 to 5	10.26	4.56	NA*
Total Alignment on Loyalty Relational	8	1 to 5	7.75	4.35	NA*
Total Alignment on Fulfilment	2*	1 to 5	1.60	1.64	NA*
Total Performance	20	1 to 5	74.27	13.09	0.94
Total Commitment	9	1 to 7	53.10	11.12	0.94
Total Propensity to Leave	2*	1 (yes) or 2 (no)	2.21	0.58	0.89

The following scales had high enough reliability with no improvement possible by removing items (to two decimal points):

- Manager scale of Fulfilment
- Manager scale of Performance Support
- Manager scale of Development
- Employee Performance rated by Manager
- Employee scale of Performance Support
- Employee scale of Propensity to leave. After dropping the one item as indicated there were only two items in the scale. The reliability achieved could not be improved by removing an item and was accepted as is.

The rest of the scales all had high enough reliability but marginal improvements could be made to the reliability by removing some of the items. The potential improvement was small in all cases and it was decided to leave the scales unchanged. The following scales refer with the possible improvements indicated in brackets:

- Manager scale of Narrow (from .87 to .89 by removing the item “To train him / her only for their current job”)

- Manager scale of Loyalty (from .86 to .87 by removing the item “To train him / her only for their current job”)
- Employee scale of Development (from .82 to .83 by removing the item “To make myself increasingly valuable to my employer”)
- Employee scale of Narrow Transactional (from .75 to .78 by removing the item “To limit my job to specific well defined responsibilities”)
- Employee scale of Loyalty Relational (from .81 to .84 by removing the item “To make personal sacrifices for this organisation”)
- Employee scale of Commitment (from .94 to .95 by removing the item “I would accept almost any type of job assignment in order to keep working for this organisation”)

## 5.4 Scale correlations

The correlations between the scales are presented in tables 6a, 6b, 6c and 6d below and will be discussed in detail following the tables.

Table 6a, 6b, 6c and 6d: Tables of scale correlations

N=106	Total Manager Development Balanced	Total Manager Performance Support Balanced	Total Manager Narrow Transactional	Total Manager Loyalty Relational	Total Manager Fulfilment	Total Employee Development Balanced	Total Employee Performance Support Balanced	Total Employee Narrow Transactional	Total Employee Loyalty Relational	Total Employee Fulfilment
Total Manager Development Balanced	1									
Total Manager Performance Support Balanced	.79***	1								
Total Manager Narrow Transactional	0.03	0.13	1							
Total Manager Loyalty Relational	.73***	.64***	-0.04	1						
Total Manager Fulfilment	.50***	.43***	0.12	.63***	1					
Total Employee Development Balanced	0.05	0.00	-0.09	0.09	0.04	1				
Total Employee Performance Support Balanced	0.05	0.10	-0.10	0.17	0.16	.75***	1			
Total Employee Narrow Transactional	0.06	0.01	0.01	0.06	0.04	0.07	0.15	1		
Total Employee Loyalty Relational	-0.03	-0.05	-.20*	0.11	0.17	.71***	.77***	0.12	1	
Total Employee Fulfilment	-0.11	-0.02	0.08	0.05	0.16	.54***	.54***	-0.01	.53**	1
Total Alignment on Development Balanced	-0.17	-0.13	0.11	-.21*	-0.10	-.58***	-.39***	-0.02	-.40***	-.46***
Total Alignment on Performance Support Balanced	-0.11	-0.15	0.14	-.26**	-0.17	-.54***	-.68***	-0.04	-.59***	-.49***
Total Alignment on Narrow Transactional	0.15	0.13	-.35***	0.14	-0.00	0.03	-0.09	-.27**	-0.04	-0.09
Total Alignment on Loyalty Relational	-.36***	-.27**	0.18	-.49***	-.38***	-.31**	-.38***	0.05	-.48***	-.30**
Total Alignment on Fulfilment	0.01	-0.06	-0.02	-0.09	-0.09	-.44***	-.42***	0.03	-.40***	-.82***
Total Performance	.47***	.36***	0.04	.48***	.58***	0.18	.19*	0.09	.24*	0.11
Total Commitment	-0.08	-0.06	-0.09	-0.01	-0.01	.49***	.39***	0.16	.45***	.49***
Total Propensity to Leave	-0.02	0.01	0.08	-0.05	-0.04	-.50***	-.36***	-0.04	-.43***	-.50***

Table 6b: Table of scale correlations

N=106	Total Alignment on Development Balanced	Total Alignment on Performance Support Balanced	Total Alignment on Narrow Transactional	Total Alignment on Loyalty Relational	Total Alignment on Fulfilment	Total Performance	Total Commitment	Total Propensity to Leave
Total Alignment on Development Balanced	1							
Total Alignment on Performance Support Balanced	.56***	1						
Total Alignment on Narrow Transactional	-0.04	0.02	1					
Total Alignment on Loyalty Relational	.48***	.54***	-0.07	1				
Total Alignment on Fulfilment	.54***	.44***	0.07	.38***	1			
Total Performance	-.28**	-0.15	0.02	-.41***	-0.14	1		
Total Commitment	-.32***	-.38***	-0.07	-.22*	-.46***	0.00	1	
Total Propensity to Leave	.41***	.42***	0.10	.33***	.49***	-0.04	-.62***	1
***. Correlation is significant at the 0.001 level (2-tailed).								
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

Table 6c: Table of scale correlations

	Total Manager Development Balanced	Total Manager Performance Support Balanced	Total Manager Narrow Transactional	Total Manager Loyalty Relational	Total Manager Fulfilment	Total Employee Development Balanced	Total Employee Performance Support Balanced	Total Employee Narrow Transactional	Total Employee Loyalty Relational	Total Employee Fulfilment
Total Manager Psychological Contract	.79***	.77***	.52***	.76***	.66***	.01	.07	.05	-.05	.04
Total Employee Psychological Contract	.03	.01	-.10	.14	.14	.83***	.86***	.47***	.86***	.61***
Total Aligned Psychological Contract	-.17	-.14	-.01	-.29**	-.25*	-.51***	-.56***	-.11	-.56***	-.57***

Table 6d: Table of scale correlations

	Total Alignment on Development Balanced	Total Alignment on Performance Support Balanced	Total Alignment on Narrow Transactional	Total Alignment on Loyalty Relational	Total Alignment on Fulfilment	Total Performance	Total Commitment	Total Propensity to leave
Total Manager Psychological Contract	-.11	-.11	-.05	-.30**	-.06	.49***	-.08	.01
Total Employee Psychological Contract	-.48***	-.61***	-.14	-.37***	-.47***	.23*	.53***	-.47***
Total Aligned Psychological Contract	.75***	.73***	.40***	.73***	.63***	-.32***	-.40***	.50***

\*\*\*. Correlation is significant at the 0.001 level (2-tailed).

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

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

#### 5.4.1 Manager development balanced scale

The manager completed development scale correlated with the manager performance support scale at .79 ( $p \leq .001$ ), with the manager loyalty scale at .73 ( $p \leq .001$ ), with management fulfilment at .50 ( $p \leq .001$ ), employee performance rating at .47 ( $p \leq .001$ ) and with the absolute difference between the manager and employee response to the loyalty construct at  $-.36$  ( $p \leq .001$ ).

This is an indication that the more the manager expected the employee to look for and take part in his own development while making a commitment to develop the employee, the greater the expectation the manager has of the employee to perform and the more the manager is committed to help him perform.

A similar observation was made between the development scale of management responses and its correlation to the loyalty scale that indicated the manager being committed to the personal welfare of the employee. The greater the expectation and commitment of the manager to the development of the employee the greater his expectation and commitment to loyalty.

With greater commitment and expectations of development the manager is also expected to experience a greater sense of fulfilment of the psychological contract in terms of promises made and kept by the employee.

Managers that have greater expectations and commitment to development will typically also rate their employees higher for performance.

A final observation for the development construct rated by the manager was its inverse correlation to the absolute difference between the rating by the manager and employee of their reciprocal loyalties. The greater the alignment between managers and employees and thus the smaller the difference between them in terms of loyalty, the greater the expectation and commitment by the manager of development.

#### 5.4.2 Manager performance support balanced scale

The performance support scale completed by the manager correlated with the loyalty scale completed by the manager at .64 ( $p \leq .001$ ), management fulfilment at .43 ( $p \leq .001$ ), employee performance rating at .36 ( $p \leq .001$ ) and with the absolute difference between the manager and employee response to the loyalty construct at -.27 ( $p \leq .01$ ).

Manager expectation and commitment to performance support correlated the strongest with manager expectation and commitment of loyalty. Thus managers that expect loyalty and are loyal to their employees will also expect their employees to be committed to greater performance.

Where greater performance support is given and expected to be reciprocated the manager is also more likely to perceive that the promises made and kept by the employee to him are fulfilled, and the manager is also more likely to rate the performance of the employee higher.

The smaller the difference between manager and employee as far as reciprocal loyalty is concerned, the greater the level of expectation and commitment by the manager to performance support, although not as strongly as the aforementioned associations.

#### 5.4.3 Manager narrow transactional scale

The narrow scale rating by the managers correlated with the alignment between the manager and employee response to the narrow construct at -.35 ( $p \leq .001$ ) and the loyalty rating by the manager at -.20 ( $p \leq .05$ ).

Thus it is observed that the greater the expectation and commitment by the manager that the employee will work beyond narrowly defined tasks and activities, the greater their alignment on narrow items are likely to be. Essentially managers that expect employees to work beyond specific narrow job descriptions are more likely to have employees that exhibit such behaviour. The question then is, if the alignment is in response to employees adjusting to the level of expectation the manager has, or if it is a case of employees generally wanting to work with more freedom. Managers that expect their employees to work beyond these narrowly defined boundaries seem to



align better to employees also wanting and believing that they should be allowed to work beyond narrow job and task limitations. In this sense it speaks to a level of mutuality and reciprocity in the contract. Having said this there also seems to be a simultaneous challenge to reciprocity.

An association is also observed in the expectation of the manager that the employee will work beyond these narrow boundaries to a potential reduction in the level of loyalty from the employee. This could be an indication that as the expectation of the employee to work beyond the narrow definition becomes greater, he may feel that he is not receiving sufficient guidance, reciprocity or is being taken advantage of, with a resulting reduction in loyalty.

Thus it seems that while the employees appreciate working beyond the narrow limitations of a job description, they may become a bit less loyal if the expectation from the manager is too great.

#### **5.4.4 Manager loyalty relational scale**

The manager completed loyalty scale correlated with the manager fulfilment scale at .63 ( $p \leq .001$ ), with manager and employee alignment on loyalty at -.49 ( $p \leq .01$ ), the performance rating by the manager at .48 ( $p \leq .001$ ), with aligned performance support at -.26 ( $p \leq .01$ ) and with aligned development at -.21 ( $p \leq .05$ ).

These results indicate that high expectation and commitment by managers to loyalty is likely to associate to higher perceptions of psychological contract fulfilment by the manager, greater congruence between manager and employee in terms of expected and committed loyalty, and a likelihood that the manager would rate the performance of the employee higher when the manager perceived greater loyalty by the employee.

Thus the manager that places emphasis on loyalty is likely to experience that promises made are kept by the employee, which could be an indication that the loyalty is reciprocated by the employee by keeping promises to his manager. The reciprocity in loyalty is evidenced by the association to alignment on loyalty. In turn the keeping of promises made correlated to a greater perception of performance by the manager.

The less strong associations indicated that the greater the loyalty expectation and commitment of the manager the greater the alignment on performance support. Managers that are committed to the employees will want to see them succeed, and thus support them in performance. It also correlated with the level of alignment on development support, indicating a similar support from the managers.

#### 5.4.5 Manager fulfilment scale

The manager fulfilment scale correlated with employee performance perceived at .58 ( $p \leq .001$ ) and the alignment on the loyalty rating at -.38 ( $p \leq .001$ ). None of the other observations were significant to the 95% confidence level.

This seems to indicate that when the manager perceives greater fulfilment of the psychological contract, he is also more likely to rate employee performance higher as well, while it is also associated with greater alignment in the perceptions of the manager and employee that their loyalty expectations and commitments are mutually being fulfilled as expected.

#### 5.4.6 Employee development balanced scale

Employees that responded that they are making the effort to develop themselves while also having greater expectations of their manager to support their development associated this response with many of the factors tested.

These development-focused employees were more likely to perceive their performance commitment and expectation for performance support from their manager to associate highly at .75 ( $p \leq .001$ ), to their perception of their own loyalty at .71 ( $p \leq .001$ ), to development alignment with the manager at -.58 ( $p \leq .001$ ), to their own fulfilment at .54 ( $p \leq .001$ ), to performance support alignment with their manager at -.54 ( $p \leq .001$ ), to propensity to leave at -.50 ( $p \leq .001$ ), to commitment at .49 ( $p \leq .001$ ), to alignment in fulfilment at -.44 ( $p \leq .001$ ) and lastly to alignment in loyalty at -.31 ( $p \leq .01$ ).

Thus when there is greater development support expectations and commitment by the employee, he is more likely to have greater expectations and make commitments in

terms of his performance responsibilities. It could be that the employee signal through higher commitment to performance that he is worthy of being further developed by the organisation, and will be committed to such development.

These employees also have greater expectations of and commitment to loyalty, are more likely to be closely aligned to their manager on issues of development, more likely to perceive a fulfilled psychological contract, more likely to be aligned to the performance support commitment and the expectations of their manager, to be less likely to want to leave the organisation, to be more committed to the organisation, to perceive that their manager is also more equally fulfilled in their psychological contract and finally to be aligned with their manager as far as their reciprocal loyalties are concerned.

#### **5.4.7 Employee performance support balanced scale**

Similar to the observation in the employee development scale, the employee expectation and commitment to performance also correlated with many scales in this study.

Employee responses to the performance support scale associates with their responses on the employee loyalty scale at .77 ( $p \leq .001$ ), to alignment between managers and employees on performance support at -.68 ( $p \leq .001$ ), to employee fulfilment at .54 ( $p \leq .001$ ), to aligned fulfilment at -.42 ( $p \leq .001$ ), to employee commitment at .39 ( $p \leq .001$ ), to alignment on development at -.39 ( $p \leq .001$ ), to alignment on loyalty at -.38 ( $p \leq .001$ ) and to propensity to leave at -.36 ( $p \leq .001$ ).

Thus employees that have greater expectations and commitment of performance support are more likely to expect and commit to greater loyalty, to be aligned to their managers on performance support expectations and commitments, to have a more fulfilled psychological contract, to be more aligned to their managers on the level of fulfilment experienced by both parties, to be more committed, to be more aligned to their managers on development, to be more aligned to their managers on loyalty and less likely to leave the organisation.

#### 5.4.8 Employee narrow transactional scale

The strongest association found to the narrow scale employee response was with the alignment to the expectations and commitments of his manager on the narrow scale at  $-.27$  ( $p \leq .01$ ).

This is an indication that employees that perceive themselves as going beyond the narrow expectations of their jobs are more likely to also be aligned with their managers on this aspect. This observation had support in the way that the manager responses also associated to the level of alignment, with greater expectations and commitment by managers being aligned to a greater distance away from the narrow job behaviours by employees. Essentially employees and their managers would seem to want the same thing in that employees want to be able to stretch beyond a narrow definition of their jobs and managers are happy to give them that freedom. The question remains though, if this is an employee reaction and a feeling of obligation, or if it is something that they perceive as beneficial in some way. As indicated before in this report, employees may adapt to the perceived expectation of their manager and get to a point where they perceive they are being taken advantage of, with the negative correlation to loyalty indicating that they may not be totally in agreement with expectation beyond narrow expectations.

#### 5.4.9 Employee loyalty relational scale

Employee responses to the loyalty scale associated at  $-.59$  ( $p \leq .001$ ) to alignment on performance support elements, at  $-.48$  ( $p \leq .001$ ) to alignment on loyalty, at  $.45$  ( $p \leq .001$ ) to commitment, at  $-.43$  ( $p \leq .001$ ) to propensity to leave, at  $-.40$  ( $p \leq .001$ ) to alignment on development elements, at  $-.40$  ( $p \leq .001$ ) to alignment of fulfilment, at  $.53$  ( $p \leq .01$ ) to employee fulfilment and to  $.24$  ( $p \leq .05$ ) to employee performance.

Thus employees that perceive that they are being loyal and also have greater expectations for reciprocal loyalty behaviour from their manager are more likely to perceive alignment to their manager on performance support related aspects of the contract, more likely to be aligned to their manager on what the manager is also prepared to do to match their loyalty, they are more likely to be committed, less likely to leave the organisation and more likely to align with their manager on aspects of their

development expectations and what the manager commits to. These employees are also more likely to align with their manager on fulfilment perceived by both parties, to be themselves more fulfilled and be rated higher by their manager for work performance.

#### **5.4.10 Employee fulfilment scale**

The more fulfilled employee is more likely to be in alignment with the level of fulfilment experienced by the manager at the same time as indicated by the correlation result of .82 ( $p \leq .001$ ).

Fulfilled employees are also less likely to want to leave the organisation at  $-.50$  ( $p \leq .001$ ), more likely to be committed at  $.49$  ( $p \leq .001$ ), aligned on performance support expectations and commitments at  $.49$  ( $p \leq .001$ ) and more likely to be aligned with their manager on aspects of their personal development.

They are further more likely to be in alignment with their manager at  $-.30$  ( $p \leq .01$ ) on loyalty commitments and expectations.

#### **5.4.11 Alignment of development balanced scale**

When considering the level of alignment found between the manager and employee responses to the development expectations and commitments of the psychological contract, there were various associations observed.

Alignment on performance support is associated at  $.56$  ( $p \leq .001$ ) alignment on fulfilment at  $.54$  ( $p \leq .01$ ), alignment on loyalty at  $.48$  ( $p \leq .001$ ), on propensity to leave at  $.41$  ( $p \leq .001$ ), to commitment at  $-.32$  ( $p \leq .001$ ) and to employee performance at  $-.28$  ( $p \leq .01$ ).

Thus if there is greater alignment between managers and employees as far as the development aspects of the contract is concerned, they are more likely to also align more on the performance support aspects, to be more aligned on the level of fulfilment experienced, more aligned on loyalty expectations and commitments, employees are

then less likely to leave the organisation, more likely to be committed and more likely to get higher performance ratings from their managers.

#### **5.4.12 Alignment of performance support balanced scale**

The level of alignment found between the manager and employee responses to the performance support expectations and commitments of the psychological contract were analysed and there were various associations observed.

Alignment on loyalty is associated at .54 ( $p \leq .001$ ), alignment on fulfilment at .44 ( $p \leq .001$ ), propensity to leave at .42 ( $p \leq .001$ ) and commitment at -.38 ( $p \leq .001$ ).

Thus if there is greater alignment between managers and employees as far as the performance support aspects of the contract is concerned, they are more likely to also align more on the loyalty aspects, likely to align more on fulfilment, employees are less likely to leave the organisation and they are more likely to be committed.

#### **5.4.13 Alignment of narrow transactional scale**

Apart from the association of aligned psychological contracts on the narrow scale described before, no further observations with statistical significance were made.

#### **5.4.14 Alignment of loyalty relational scale**

An aligned loyalty scale correlated to employee performance at -.41 ( $p \leq .001$ ), alignment of fulfilment at .38 ( $p \leq .001$ ), propensity to leave at .33 ( $p \leq .001$ ) and commitment at -.22 ( $p \leq .05$ ).

This is an indication that when managers and employees are aligned in terms of their expectations and commitments as far as loyalty is concerned, that the performance rating of the employee is likely to be higher, that the manager and employee are more likely to be experiencing similar perceptions of contract fulfilment, that the employee is more likely to remain with the organisation and that the employee is more likely to be committed.

#### **5.4.15 Alignment of fulfilment scale**

When managers and employees are more aligned in their perception of the level of fulfilment of the psychological contract, the employee is more likely to remain with the organisation as evident in the correlation at .49 ( $p \leq .001$ ) and that the employee is more likely to be committed evident in the correlation at -.46 ( $p \leq .001$ ).

#### **5.4.16 Performance scale**

No further observations about the correlation to the employee performance were made.

#### **5.4.17 Commitment scale**

Higher levels of commitment correlate at -.62 ( $p \leq .001$ ) to the propensity of the employee to leave the organisation. Thus the more committed the employee, the less he is likely to leave.

#### **5.4.18 Propensity to leave scale**

No further observations about the propensity to leave the organisation were made.

## 5.5 Introduction to research proposition results

Pearson two tailed correlations were performed between the psychological contract constructs and the dependent variables on a total construct level.

It is recommended that correlation is small between values of .10 to .29, of medium strength between .30 and .49 while it is large between .50 and 1.0 positive or negative (Pallant, 2010).

To answer the research questions, the absolute values of the difference in responses by managers and employees to the psychological contract questionnaires were correlated to the dependent variables of performance, commitment and propensity to leave. For example, the absolute value difference of the response by the manager to the statement “To make decisions with their interests in mind” relating to employer obligations and the response by the employee to the statement “To make decisions with my interests in mind” was calculated. This was done for all items and all constructs.

The absolute value differences between the scale items are an indication of the alignment or congruence between the responses that managers and employees made to the matched scale items. Thus smaller differences in their responses indicated greater alignment.

### 5.5.1 Research proposition 1 results:

**Psychological contract alignment is associated with greater workplace performance.**

The performance ratings of employees made by the managers were correlated to the absolute value difference between the manager and employee responses on the level of the entire psychological contract questionnaire and then on a psychological contract construct level. The results for this departure point are shown in table 6.

The correlation between psychological contract alignment and employee performance indicated a negative correlation of  $-.32$  ( $p \leq .001$ ). Determining the R-squared value of



this result indicates that 10.2% of the variance in performance can be explained by the alignment in the psychological contract. The resulting negative correlation suggests that the smaller the difference in the psychological contract between the expectations and commitments of employees and managers and thus the greater the alignment, the greater the level of performance.

Analysis only at the high level of the total psychological contract is insufficient because of the differences in the correlations to the dependent variable of the underlying constructs. Breaking the psychological contract down into the constituent constructs reveal that the highest correlation with performance was with the level of alignment of the loyalty construct. A correlation of  $-.41$  ( $p \leq .001$ ) was observed.

There was also a statistically significant correlation between alignment in the development construct and performance at  $-.28$  ( $p \leq .01$ ).

To create a model to predict the performance outcome by applying a combination of the independent variables, stepwise regression was used. The result from the stepwise regression analysis confirmed the R-squared value noted before and thus that the alignment in the loyalty construct explains 16.8% of the variance in performance relative to the extent that alignment is achieved. The stepwise regression analysis added further to the analysis by indicating the adjusted R-square value at .159, a more conservative estimate based on it being a small sample. This suggests that 15.9% of the variance in performance was explained by the loyalty construct.

To check for possible collinearity among the independent variables the correlations between all of these variables were checked for being below .70 as recommended by Tabachnick and Fidell (as cited in Pallant, 2010). It was further recommended that correlations between the independent variable and the dependent variable should be above .30 to be included in the resulting model. In this case all correlations between independent variable were below .70 but the loyalty construct was the only variable correlating above .30 to the dependent performance variable. Further collinearity diagnostics performed also indicated a tolerance value of 1 and a variance inflation factor (VIF) of 1, deemed an indication that no collinearity was present.

As part of the stepwise regression analysis a Normal Probability Plot (P-P) and scatterplot revealed a straight diagonal line and a distribution that was more or less rectangular with a concentration around the 0 point respectively as can be seen in Annexure C. The scatterplot also revealed that there were no outliers in the results and this was confirmed by the Mahalanobis distances of 7.92 being less than the 20.52 recommended by Tabachnik and Fidell (as cited by Pallant, 2010). The maximum value of Cook's distance was .11 which is below the value of 1 recommended by Tabachnik and Fidell (as cited by Pallant, 2010). This concluded the test for collinearity.

On completing the stepwise regression analysis the aligned loyalty construct was the only one of the independent variables that entered the model. The equation that resulted was  $83.78 - 1.23 x$  (Total Alignment on Loyalty Relational). For example, if perfect alignment is achieved the highest base line score would be 83.78 but if the alignment is out by as little as 1, the score would drop to 82.55 as a result.

When considering the mean score of absolute value difference in alignment of the loyalty construct achieved in this study being 7.75 the performance score achieved would be 74.27 on average. What this equation provides is a simple way for managers to use the level of alignment to their employees on loyalty to give them an indication of what could be expected of the performance outcome. This equation could also be considered for application on a company level to predict a performance outcome based on loyalty alignment.

Alignment in the performance support, narrow and fulfilment constructs were unable to offer strong enough explanatory power to enter the model that predicts the performance outcome. Alignment in the loyalty construct offers statistically significant explanation for the variance in performance and will be used to further the discussion of results in chapter 6.

## 5.5.2 Research proposition 2 results:

### Psychological contract alignment is associated with greater organisational commitment.

Analysis indicated a medium negative correlation of  $-.40$  ( $p \leq .001$ ) for absolute value differences to employee commitment as seen in table 6.

The R-squared value of  $.16$  indicates that 16% of the variance in the level of commitment by the employee can be explained by the extent to which alignment in the psychological contract is achieved. This shows a stronger association than the association between the aligned psychological contract and the employee performance.

For a more in-depth understanding a correlation was run between the constructs of the psychological contract and commitment. In this analysis the association between the alignment of fulfilment and the level of commitment by the employee resulted in the highest correlation. The correlation obtained was  $-.46$  ( $p \leq .001$ ). The R-squared value of  $.21$  indicates that 21% of the variance in commitment can be explained by the alignment in the fulfilment perceived between the manager and employee.

The alignment of performance support aspects associated at  $-.38$  ( $p \leq .001$ ) to the level of commitment by the employee, thus explaining 14.4% of the variance in the level of commitment.

The correlation between the development elements of the psychological contract and commitment resulted in a correlation of  $-.32$  ( $p \leq .001$ ). This result indicates that 10.2% of the variance in commitment is explained by the development construct. At this stage it would seem that there are possibly three independent variables that explain the variance in the dependent variable.

The alignment between managers and employees on the loyalty construct correlated to commitment with  $-.22$  ( $p \leq .05$ ). The R-squared value to this correlation of indicates that only 4.8% of the variance in commitment is due to this alignment though.

The result from the stepwise regression analysis indicated by way of the R-squared value that the alignment in fulfilment explained 21.3% of the variance in commitment. The combination of alignment in fulfilment and alignment in performance support explained 25.4% of the variance in commitment by way of a second model. The adjusted R-square values were .21 and .24 respectively, thus indicating that the more conservative estimate based on it being a small sample was that 21% and 24% of the variance in commitment was explained by the two models.

The correlation between the independent variables were all below .70 while the development, performance support and fulfilment constructs were all correlating above .30 to the dependent commitment variable. Collinearity diagnostics performed also indicated a tolerance value of 1 and a variance inflation factor (VIF) of 1 for the first model. For the second model tolerance was indicated at .81 and VIF at 1.24, with neither of these values indicating possible reason for concern around multicollinearity.

As part of the stepwise regression analysis a Normal Probability Plot (P-P) and scatterplot revealed a straight diagonal line and a distribution that was more or less rectangular with a concentration around the 0 point respectively as can be seen in Annexure C. The scatterplot also revealed that there were some potential outliers in the results and this was confirmed by the maximum Mahalanobis distances of 26.83 being more than the 20.52 recommended by Tabachnik and Fidell (as cited in Pallant, 2010). The maximum value of Cook's distance was .35 which is below the value of 1 recommended by Tabachnik and Fidell (as cited in Pallant, 2010). Since there was only one such case shown up by the Mahalanobis distances the recommendation was to not remove it, and there was also support based on the Cook value that the case had no overall impact on the model.

The stepwise regression suggested two models. The first model used only fulfilment to explain the variance in commitment with the equation that resulted being  $58.14 - 3.14 x$  (Total Alignment on Fulfilment). The second model used a combination of fulfilment and performance support to explain the variance in commitment with the equation that

resulted being  $61.37 - 2.47 \times (\text{Total Alignment on Fulfilment}) - 0.95 \times (\text{Total Alignment on Performance Support Balanced})$ .

What model 2 suggests apart from the combination of aligned fulfilment and performance support explaining 24% (adjusted R) of the variance in commitment was that the greater the misalignment on these aspects, the smaller the commitment score would get. For example, if perfect alignment is achieved the highest base line score would be 61.365 but if the alignment is out by as little as 1 on each of the constructs, the score would drop to 57.951 as a result.

When considering the mean score of absolute value difference in alignment of the fulfilment and performance support construct achieved in this study being 1.60 and 4.55 respectively the commitment score achieved would be 53.112 on average.

Since the second model explained the greatest variance in commitment it was decided to focus on the application of this model in the discussion of the results.

### **5.5.3 Research proposition 3 results:**

**Psychological contract alignment is associated with a reduced propensity to leave the organisation.**

Analysis indicated a positive correlation of .50 ( $p \leq .001$ ) for alignment in the psychological contract to the propensity of the employee to leave the organisation as seen in table 6.

The propensity to leave scale tested the employee response to questions of remaining with the organisation if he had complete freedom to work anywhere else, and also the employee response to return to the organisation if he were to be away from it for a short period. Thus the greater the alignment between the manager and employee the less likely the employee is to leave the organisation. The result indicates that 25% of the variance in the likelihood of the employee to remain with the organisation can be explained by the alignment of the psychological contract.

Understanding this in greater detail requires an analysis of the association between the psychological contract constructs and the propensity to leave.

The strongest correlation was found between the level of commitment made by the employee and his propensity to leave at  $-.62$  ( $p \leq .001$ ). The level of commitment thus explains 38.4% of the variance found in the propensity of the employee to leave the organisation. With such a strong correlation to propensity to leave the organisation it will be critical to understand the drivers of commitment.

The alignment between the manager and employee to the level of fulfilment perceived in the psychological contract correlated at  $.49$  ( $p \leq .001$ ) to the propensity by the employee to leave the organisation. Thus 24% of the variance in propensity to leave is explained by the level of alignment on fulfilment.

The performance support construct had a positive correlation of  $.42$  ( $p \leq .001$ ) to propensity to leave closely followed by the development construct with a positive correlation of  $.41$  ( $p \leq .001$ ) to propensity to leave. The loyalty construct also resulted in a positive correlation of  $.33$  ( $p \leq .001$ ) to propensity to leave.

Neither the narrow construct nor performance of the employee correlated with propensity to leave the organisation.

The result from the stepwise regression analysis indicated by way of the R-squared value for two different models that the alignment in fulfilment explained 23.8% of the variance in propensity to leave with model 1. Model 2 explained 29.2% of the variance in propensity to leave by combining alignment in fulfilment and alignment in performance support. The adjusted R-square values were  $.23$  and  $.28$  respectively for the two models, thus indicating that the more conservative estimate based on it being a small sample was that 23% and 28% of the variance in propensity to leave was explained by the two models. Since model 2 has greater ability to explain the variance of the dependent variable it will be the used in the discussion of results.

The correlation between the independent variables were all below  $.70$  while the development, performance support, loyalty and fulfilment constructs were all correlating

above .30 to the dependent propensity to leave variable. Checking these values are recommended as the first step in determining possible collinearity (Pallant, 2010). Collinearity diagnostics performed also indicated a tolerance value of 1 and a variance inflation factor (VIF) of 1 for the first model. For the second model tolerance was indicated at .81 and VIF at 1.24, with neither of these values indicating possible reason for concern around multicollinearity.

As part of the stepwise regression analysis a Normal Probability Plot (P-P) and scatterplot revealed a straight diagonal line and a distribution that was more or less rectangular with a concentration around the 0 point respectively as can be seen in Annexure C. The scatterplot also revealed that there were some potential outliers in the results and this was repeated in the maximum Mahalanobis distance of 26.83 being more than the 20.52 recommended by Tabachnik and Fidell (as cited in Pallant, 2010). The maximum value of Cook's distance was .49 which is below the value of 1 recommended by Tabachnik and Fidell (as cited in Pallant, 2010). The one case shown up by the Mahalanobis distances prompted a check of the Cook value to determine if the case had sufficient impact to influence the model. Based on the Cook value the case would not impact the model, thus the decision was made not to exclude it from the model.

As indicated before the stepwise regression suggested two models where the second was chosen for its ability to explain more variance of the dependent variable. The second model used a combination of fulfilment and performance support to explain the variance in commitment with the equation that resulted being  $1.74 + 0.13 \times (\text{Total Alignment on Fulfilment}) + 0.06 \times (\text{Total Alignment on Performance Support Balanced})$ .

The correlation of the performance support construct to propensity to leave may suggest that employees who are given an opportunity to perform and grow their skills within the organisation and thus have a greater opportunity for future promotion are prepared to wait for such promotion by remaining with the organisation. They may also sense that their performance meeting the expectation by their manager provides some job security and through this effect add to the likelihood that they will remain with the organisation. This will be explored further in the discussion of the results in chapter 6.

## 5.5.4 Research proposition 4 results:

**The degree of psychological contract alignment, performance, commitment and propensity to leave of same gender dyads differ from mixed gender dyads.**

The independent sample t-test was used to determine if there were any statistical significant differences found in the alignment of psychological contracts, performance, commitment and propensity to leave between results where the manager and employee was matched by gender and where they were not matched.

The results of each of the tests done are indicated below as table 7 (a and b) and include the group descriptive statistics and the independent sample test results.

**Table 7a and 7b: T-test results for proposition 4**

Group Statistics					
	GENDER_MATCHING	N	Mean	Std. Deviation	Std. Error Mean
Total Aligned Psychological Contract	Matched gender	69	30.8841	9.77322	1.17656
	Unmatched gender	37	30.4324	12.55995	2.06484
Total Alignment on Development Balanced	Matched gender	69	6.3913	3.36162	.40469
	Unmatched gender	37	6.8919	4.45835	.73295
Total Alignment on Performance Support Balanced	Matched gender	69	4.6087	2.55076	.30708
	Unmatched gender	37	4.4324	2.83373	.46586
Total Alignment on Narrow Transactional	Matched gender	69	10.3043	4.63777	.55832
	Unmatched gender	37	10.1892	4.47113	.73505
Total Alignment on Loyalty Relational	Matched gender	69	8.1449	4.29184	.51668
	Unmatched gender	37	7.0000	4.42844	.72803
Total Performance	Matched gender	69	72.0870	12.85295	1.54731
	Unmatched gender	37	78.3514	12.69999	2.08787
Total Commitment	Matched gender	69	54.3333	10.43279	1.25596
	Unmatched gender	37	50.8108	12.12169	1.99279
Total Propensity to Leave	Matched gender	69	2.1739	.54115	.06515
	Unmatched gender	37	2.2703	.65186	.10717



**Table 7b: T-test results for proposition 4**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	Sig. (2-tailed)	eta calc
<b>Independent Samples Test</b>						
Total Aligned Psychological Contract	Equal variances assumed	2.385	.126	.205	.838	0.04%
	Equal variances not assumed			.190	.850	0.03%
Total Alignment on Development Balanced	Equal variances assumed	1.980	.162	-.650	.517	0.41%
	Equal variances not assumed			-.598	.552	0.34%
Total Alignment on Performance Support Balanced	Equal variances assumed	.000	.987	.326	.745	0.10%
	Equal variances not assumed			.316	.753	0.10%
Total Alignment on Narrow Transactional	Equal variances assumed	.004	.950	.123	.902	0.01%
	Equal variances not assumed			.125	.901	0.01%
Total Alignment on Loyalty Relational	Equal variances assumed	.484	.488	1.295	.198	1.59%
	Equal variances not assumed			1.282	.204	1.56%
Total Performance	Equal variances assumed	.436	.510	-2.402	.018	5.26%
	Equal variances not assumed			-2.411	.018	5.29%
Total Commitment	Equal variances assumed	.561	.455	1.565	.121	2.30%
	Equal variances not assumed			1.495	.140	2.10%
Total Propensity to Leave	Equal variances assumed	2.363	.127	-.813	.418	0.63%
	Equal variances not assumed			-.768	.445	0.56%

Analysis of the descriptive statistics reveal that there does not seem to be big differences in the means and standard deviation of the results returned when the genders are matched compared to when they are not matched.

Using the Levene's test for equality of variances, the significance level of all the tests were greater than .05 and interpreted as indication that equal variances should be used. Interpreting the significance of two tailed equal variance between the means also revealed that with no values smaller than .05 there is no statistically significant difference in the responses of same gender dyads when compared to different gender dyads.

The effect size statistic was calculated for each of the tests using the eta squared test. This revealed that the largest variance was observed in the performance response where only 5.26% of the variance in performance could be explained by the difference between same gender and different gender dyads.

### 5.5.5 Research proposition 5 results:

**Psychological contract alignment of same population group dyads differ from mixed population group dyads on performance, commitment and propensity to leave.**

Using the same approach as with the analysis of the results of proposition 5, the independent sample t-test was used to determine if there were any statistical significant differences found in the alignment of psychological contracts, performance, commitment, propensity to leave and fulfilment where the manager and employee was matched by population group and where they were not matched.

The results of each of the tests done are indicated below as table 8 (a and b) and include the group descriptive statistics and the independent sample test results.

**Table 8a and 8b T-test results for proposition 5**

<b>Group Statistics</b>					
	POPULATION MATCHING	N	Mean	Std. Deviation	Std. Error Mean
Total Aligned Psychological Contract	Matched population group	63	31.1587	11.52865	1.45247
	Unmatched population group	43	30.0930	9.64813	1.47133
Total Alignment on Development Balanced	Matched population group	63	6.6984	3.79573	.47822
	Unmatched population group	43	6.3721	3.76085	.57352
Total Alignment on Performance Support Balanced	Matched population group	63	4.7460	2.98906	.37659
	Unmatched population group	43	4.2558	2.02476	.30877
Total Alignment on Narrow Transactional	Matched population group	63	10.5873	4.77100	.60109
	Unmatched population group	43	9.7907	4.24016	.64662
Total Alignment on Loyalty Relational	Matched population group	63	7.5873	4.86473	.61290
	Unmatched population group	43	7.9767	3.51519	.53606
Total Performance	Matched population group	63	74.0635	12.42899	1.56591
	Unmatched population group	43	74.5814	14.14253	2.15672
Total Commitment	Matched population group	63	53.4762	11.64787	1.46749
	Unmatched population group	43	52.5581	10.41588	1.58841
Total Propensity to Leave	Matched population group	63	2.2222	.60760	.07655
	Unmatched population group	43	2.1860	.54580	.08323

Table 8b T-test results for proposition 5

Independent Samples Test		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	Sig. (2-tailed)	eta calc
Total Aligned Psychological Contract	Equal variances assumed	.222	.638	.498	.619	0.24%
	Equal variances not assumed			.515	.607	0.25%
Total Alignment on Development Balanced	Equal variances assumed	.194	.661	.436	.664	0.18%
	Equal variances not assumed			.437	.663	0.18%
Total Alignment on Performance Support Balanced	Equal variances assumed	4.795	.031	.938	.350	0.84%
	Equal variances not assumed			1.007	.316	0.96%
Total Alignment on Narrow Transactional	Equal variances assumed	.348	.557	.882	.380	0.74%
	Equal variances not assumed			.902	.369	0.78%
Total Alignment on Loyalty Relational	Equal variances assumed	5.368	.022	-.451	.653	0.19%
	Equal variances not assumed			-.478	.633	0.22%
Total Performance	Equal variances assumed	.402	.528	-.199	.843	0.04%
	Equal variances not assumed			-.194	.846	0.04%
Total Commitment	Equal variances assumed	.391	.533	.416	.679	0.17%
	Equal variances not assumed			.425	.672	0.17%
Total Propensity to Leave	Equal variances assumed	.438	.510	.313	.755	0.09%
	Equal variances not assumed			.320	.750	0.10%

The descriptive statistics do not seem to be display major differences in the means and standard deviation of the results returned when the population groups are matched compared to when they are not matched.

The Levene's test for equality of variances was used once more as was the case for proposition 5. The significance level of all the tests were greater than .05 and interpreted as indication that equal variances should be used. Interpreting the significance of two tailed equal variance between the means also revealed that with no values smaller than .05 thus there is no statistically significant difference in the

responses of same population group dyads when compared to different population group dyads on any of the results.

The effect size statistic was calculated for each of the tests using the eta squared test. This revealed that the largest variance was observed in the extent of alignment to the psychological contract responses by managers and employees where only 0.84% of the variance in the performance support construct could be explained by the difference between same population group and different population group dyads.

## Chapter 6: discussion of results

The psychological contract is most often described as an unwritten agreement or understanding of the expectations held by employees of the employer and the employment relationship.

The objective of this research project was to explore the psychological contract from the perspective that both the manager and employee hold of this unwritten agreement to understand the importance of achieving alignment of these expectations and a greater understanding of the impact that alignment may have on workplace outcomes. This alignment or rather lack of alignment was also referred to as incongruence and proposed as a disagreement or difference in reciprocal expectations that will increase the level of breach and violation perceived by both parties to the relationship (Tekleab & Taylor, 2003).

The results of each of the research propositions made in chapter 3 will be discussed in the sequence proposed there and referenced to existing literature of psychological contracts. Relevant management theory will also be included for support and in combination with psychological contract theory aim to add to knowledge of the subject through confirmation, contradiction or establishment of new findings that contribute to the theory.

The chapter will be concluded by the presentation of a model that outline the findings of the study and compared to the model proposed in chapter 3 before any data analysis took place. This model will serve as a management tool that may contribute to creating better workplace outcomes through focus on the improvement of alignment to the psychological contract.

It was also found that the expectations that employees have of employers experienced the greatest amount of change during the first year of employment and that the new employees did not display the same level of attachment to the company (Lee et al., 2011). The significance of this is in recognising that should psychological contract alignment associate to positive workplace outcomes, it would indicate the possibility

that a more frequent need for alignment to take place during the early stages of employment.

## 6.1 Research proposition 1:

### **Psychological contract alignment is associated with greater workplace performance.**

Research has shown that the impact that breach in the psychological contract has on the performance of the employee, to be correlated. Psychological contract breach is expected to lead to lower levels of employee performance (Bal et al., 2010).

While breach of the psychological contract is not the subject of this research project, it is proposed that breach is a breaking point that marks where the difference between what is expected from the relationship and what is delivered is at a maximum. The difference speaks to the alignment between the employer and employee, or ultimately between the manager and employee since the manager acts as representative of the employer.

The results of this study confirmed that there was a strong correlation between psychological contract alignment and performance. Thus with the difference in expectations and commitments to the dyadic relationship between the manager and employee getting smaller, there is an improvement in the perceived performance of the employee. The association between psychological contract violation and a decrease in performance ratings were not supported by Tekleab and Taylor (2003) stating the possibility that the employee did not express to the organisation that violation occurred, and thus the reciprocity by the manager would not be to lower performance scores. The results of this study challenge this assumption on the basis of incongruence being measured on a continuous scale where greater misalignment associated to a decreased performance rating. Thus there may well be a lowering in the performance rating as the misalignment gets worse on the way to the point of breach and possibly violation of the psychological contract.

Of the three workplace outcomes tested though, the association between alignment and performance was not as strong as the association to commitment and propensity

to leave. This could be an indication that alignment on the subject of what is expected and committed to by the manager and employee in this reciprocal dyadic relationship does not necessarily mean that the employee will be seen to be performing as well relative to the expectations when compared to workplace outcomes like commitment and propensity to leave.

For a deeper level of understanding of this observation the correlation on a construct level was also considered for an explanation of how the alignment of the psychological contract interacts with employee performance. When comparing the psychological contract constructs grouped as development, performance support, narrow and loyalty the strongest correlation was between the level of alignment achieved in loyalty and performance, while there was also a strong correlation between the alignment in development achieved and employee performance.

The smaller the difference in the psychological contract constructs measuring the alignment of expectations and commitments in loyalty and development, the greater the level of performance rated by the manager. The stronger relation of loyalty as a relation focused construct of the psychological contract is supported by Dabos and Rousseau (2004) that proposed balanced aspects to be more complex to associate due to being a combination of relational and transactional elements. It is also not entirely surprising when considering that the balanced construct that is positioned as a combination of relational and transactional elements, may be impacted by transactional elements. This may in effect reduce the association to the outcome based on the findings of this study where the narrow transactional construct offered little to no association to any of the workplace outcomes.

Managers and employees that align in what is expected and committed to on loyalty elements have an association to higher performing employees, or at least employees that are perceived by the manager to be performing at a higher level. Considering the items that make up the loyalty construct, it speaks to the emotional commitment of the employee to the organisation and to having that commitment reciprocated with the manager showing concern for the personal wellbeing of the employee on behalf of the organisation. The link between the psychological contract and the emotional



connection that the employee makes with the organisation was described by Freese and Schalk(2011).

It is argued that the support employees receive from the organisation is a result of the employees themselves signaling to the organisation that they are looking to make the most of their employment within the organisation to support their career growth (Sturges et al., 2005). The items found in the development construct speak to the employee being committed to making himself more valuable to the employer through improved skills while he is offered the scope to develop through available and accessible opportunities. When the employee and the manager are aligned on these expectations and commitments, they can be seen to be working towards the common goal of developing the employee.

The environment created by this congruence may motivate the employee to greater performance but it also has to be considered that the manager may want to see the employee succeed. This may become a self-fulfilling prophecy or so called Pygmalion effect informed by leaders' implicit followership theories (LIFTs) that suggest higher performance ratings being typical when managers hold positive beliefs about their employees (Whitely et al., 2012) with the manager rating the performance of the employee subjectively higher than what their actual performance levels are. An area for further research could be to study the impact that a commitment made by a manager to an employee impact on the amount of bias that the manager brings into the relationship.

The correlation of alignment in psychological contract items that make up the performance support, narrow and fulfilment constructs to employee performance was not statistically significantly associated to performance. An interesting observation from the literature suggesting that fulfilment moderates performance in supportive relationships in the short term (Conway & Coyle-Shapiro, 2012) deserves further mention. When considering that the alignment of fulfilment had a relatively weak inverse correlation to performance, it would seem from this study that alignment on fulfilment has a similar effect in moderating the level of performance and support this finding.

In the case of the performance support construct the result seems to make a counterintuitive suggestion that alignment of performance support did not have an association to the level of performance outcomes perceived by the manager. It is not entirely surprising, though. When considering a scenario where an employee continues to perform below expectation after repeated performance consultations comes to mind. In this scenario the opportunities to create understanding and alignment has not had the desired impact by improving the performance of the employee. This does not mean that the attempts to improve alignment of the psychological contract are not worth pursuing as a way of improving performance. It is more an acknowledgement that increased alignment on performance support may not be the most important driver of higher levels of performance.

Lack of performance could also be due to a myriad of other reasons. The employee may not be suitably qualified or trained to perform to the level that the manager expects. The employee may also have unrealistic expectations of what the manager should be able to deliver and experience psychological contract breach leading to lower levels of performance (Bal et al., 2010).

The association between alignment of the fulfilment of the psychological contract and the performance outcome was also not statistically significant. A similar justification to that suggested for the lack of association with the performance support elements may be relevant, in that the employee may feel that the psychological contract is fulfilled by the manager generally keeping their promises and delivering on their commitments made, but that this does not lead to the employee performing at a higher level or necessarily being viewed to perform at a high level by the manager. The question to managers would be what they then effectively benefit from delivering on promises made and kept. The association of fulfilment to commitment and propensity to leave may offer some relevant perspectives to this observation.

The level of alignment to narrow elements also showed no statistically significant correlation to the performance outcome. Thus there is no clear preference by managers or employees to work within narrow guidelines as far as their expectations and commitments are concerned and how this relates to a performance outcome. It

could be seen that this is an indication that employees may want to operate over a flexible range of structuring their work. This flexibility may be similar to the idiosyncratic deals that employees negotiate (Rousseau et al., 2006). If it is considered that, as with the difference between the normal employment contract and the psychological contract, there may be an idiosyncratic deal that is not explicitly agreed that leads to the altering of the psychological contract by the employee through an amendment of their expectations (Lee et al., 2011). It was interesting to note the inverse correlation of managers moving away from narrow expectations held by the typical employment contract with employee commitment and expectation of loyalty. It seems to indicate that there is a case to be made for allowing employees some freedom in determining their boundaries outside of the narrow employment contract expectation but that managers should be cautious not to leave too much uncertainty since it could lead to lower levels of loyalty.

Looking beyond the association that psychological alignment has to the performance outcome it was surprising to note the association the performance outcome had to the manager and employee responses. The responses given by managers generally correlated much stronger than the responses made by the employees. The question once again arises if the performance outcome is a result of a self-fulfilling prophecy by managers (Whitely et al., 2012) that feel they are providing the necessary support and making a commitment to the employee rather than an actual performance improvement observed or achieved. The employee responses generally indicated that apart from the association of alignment to loyalty and development, alignment on the other constructs had little association to the performance outcome.

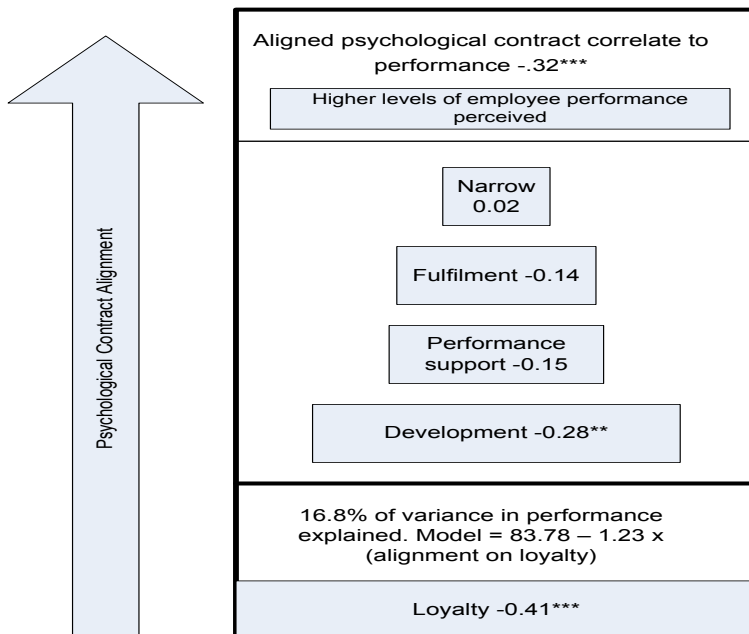
Based on the stepwise regression analysis performed a model resulted that indicated the alignment on loyalty aspects to have the greater ability to predict the performance outcome. What this model suggests apart from the loyalty construct explaining 15.9% of the variance in performance was that the greater the misalignment on loyalty aspects, the smaller the performance score would get. Considering the literature describing the affective responses of employees to a perceived breach in the psychological contract (Freese & Schalk, 2011) one has to ask if managers could also perceive breach and have similar affective responses to that of employees. Thus while

the managers perceive misalignment to their expectation of the loyalty the employee should have to the organisation, they may adjust their perception of the performance achieved by the employee.

The model can be used as a management tool as an indicator of the possible performance rating that could be expected for the employee based on the measure of his alignment on loyalty expectations and commitments with his manager. Care must be taken in the interpretation of such results though due to the possibility of manager bias or affective response to perceiving an employee as not being loyal enough and thus expected to perform at a lower level. With this in mind it would be best to position the model for explanation rather than illustrating causality. The model can also be considered as a company level measure of aligned loyalty to track how improved alignment on loyalty may track company performance.

The results confirmed that the research proposition made has merit in that the alignment of the psychological contract associated positively to the performance outcome. The results can be graphically represented by model 1 indicated below.

**Model 1: Aligned psychological contract association to performance**



\*\*\*Correlation is significant at the 0.001 level (2-tailed); \*\*Correlation is significant at the 0.01 level (2-tailed); \*Correlation is significant at the 0.05 level (2-tailed).

## 6.2 Research proposition 2:

### **Psychological contract alignment is associated with greater organisational commitment.**

Reciprocation was proposed as a cornerstone as far as successful working relationships are concerned. Without reciprocation taking place the level of commitment by the employee is expected to suffer (Shore et al., 2009).

In this study the association of the alignment in the psychological contract to employee commitment was found to correlate strongly. This is an indication that the smaller the difference between the responses of the employees and managers to their expectations of each other and their commitments made, the greater the amount of commitment shown by the employees towards the organisation. Reading this with the literature that suggest that psychological contract breach has the greatest impact on the affective commitment by the employee (Freese et al., 2011) it offers support for alignment working in the opposing direction away from breach and that psychological contract alignment may be used as a tool for measuring affective commitment.

The correlation results indicated that alignment had a greater impact on employee commitment than it did on the level of performance rated by the manager. The level of alignment was found to explain as much as 15.7% of the variance in the level of commitment that the employee will show towards the organisation. To get a more in-depth understanding of the levers that make up the psychological contract and the impact their alignment has on the level of commitment the analysis was extended to the construct level of the psychological contract.

The highest correlation found was between the aligned fulfilment and the level of commitment by the employee. This observation is valuable in the sense that it indicates that employees that feel that the manager who delivers on the perceived promises made will receive commitment from the employee as an act of reciprocation. This also highlights an agreement with the findings in research proposition 1 by indicating that employees that perceive fulfilment will be more committed, even though they may not necessarily perform better when experiencing levels of fulfilment. This observation will be especially true when the employee perceives the fulfilment of promises made and kept to be in the control of the organisation (Turnley & Feldman, 1999). As far as the

alignment in the psychological contract is concerned, it was specifically measured as the fulfilment of promises made and kept by the direct manager. This illustrates that the manager is justifiably seen by the employee to act on behalf of the organisation and in control of employee commitment to the organisation through the degree of employee to manager alignment.

The next highest correlation found was between the alignment of the performance support construct and the level of commitment. The performance support construct speaks to the expectation that the manager will have of the employee to adjust his level of performance to changing performance demands as the business environment changes and the reciprocal expectation by the employee that the manager will provide him with the necessary support to adjust to these changing requirements. This observation confirms that when employees are given the tools and support to perform at the higher levels expected by their manager, that they are able to deliver on that investment with greater commitment, but not necessarily with a similar increase in performance as explained in research proposition 1.

This is an indication that the greater certainty that comes from knowing what the performance expectations are as well as knowing that the manager will be supportive in helping the employee adapt will increase the level of commitment the employee shows to the organisation. Based on the items that made up the commitment scale this increased commitment will show in behaviour such as employees being proud to tell people that they are working for the organisation and a feeling of being inspired to do their best.

A medium to strong correlation was also found between the alignment of the psychological contract in the development scale and the commitment of the employee. The focus in this case is on the opportunities for development expected and delivered. Literature speaks of the need that employees have to receive support for managing their careers (Sturges et al., 2005) with the fulfilment of such assistance increases their commitment to the organisation. This reference to career assistance speaks to the development opportunities within the psychological contract as evidenced by responses to items such as “To ensure I have opportunities for promotion”. The closer the manager and employee are in terms of their view on the development related items, the greater the commitment of the employee is expected to be.

When looking into the individual responses of the manager and employee before determining the level of alignment, it was noticeable that the responses by the employee generally had statistically significant correlations to the level of commitment while the manager responses did not. This emphasises that the level of commitment is mostly associated to the expectations and commitment to the psychological contract development goals of the employee and not associated to the expectation and commitment of the manager as such. This supports that the expectation and commitment by managers alone will be insufficient to increase the commitment of the employee to the organisation, but that if the employee and manager find mutuality and the employee starts to reciprocate by both making a commitment to the psychological contract, this alignment will associate to increased commitment since the employee is likely to feel an obligation to reciprocate what they received (Dulac et al., 2008).

It would seem then that the ability of the manager to create the perception of having expectations and commitments that align to that of the employee signal to the employee that there is mutuality present and that they can trust (Shore et al., 2009) that their actions will be reciprocated, leading to greater commitment on their part.

A final observation of statistical significance was the association between the loyalty construct and commitment. With greater alignment between the expectations held and commitments made in the relationship the greater the likelihood that the employee will be committed to the organisation. Once again similar to the observation made of how the individual manager and employee responses associate to the commitment outcome, there was a strong association between the employee response and commitment but not between the response of the manager to commitment. It is again proposed that the employee has to sense alignment with the manager to reciprocate with greater commitment to the organisation.

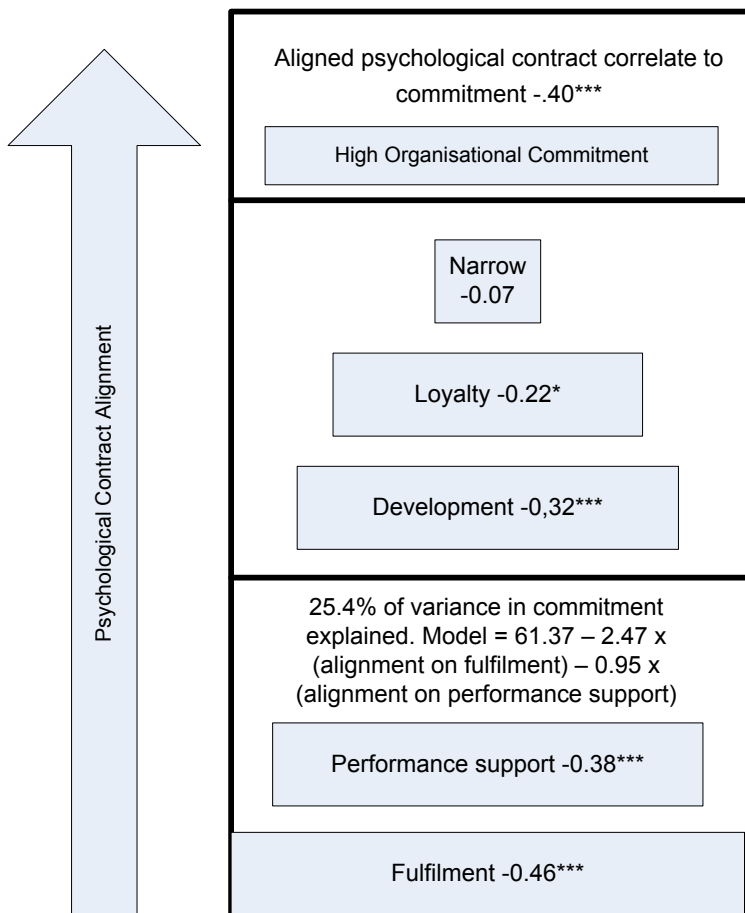
While there are various constructs that associate to the commitment outcome, what would be the best way to improve employee commitment? To determine a model that predicts the commitment outcome, stepwise regression analysis was performed and two models resulted. The models are discussed in more detail in chapter 5. What the model offers though is the ability to explain 24% of the variance in the commitment

outcome based on the measure of alignment achieved on fulfilment and performance support.

In conclusion the results support the research proposition that alignment of the psychological contract associates positively to employee commitment.

The results can be graphically represented by model 2 indicated below.

**Model 2: Aligned psychological contract association to organisational commitment**



\*\*\*Correlation is significant at the 0.001 level (2-tailed); \*\*Correlation is significant at the 0.01 level (2-tailed); \*Correlation is significant at the 0.05 level (2-tailed).



### 6.3 Research proposition 3:

#### **Psychological contract alignment is associated with a reduced propensity to leave the organisation.**

The retention of talent in the organisation is always topical and relevant to organisations being competitive. Organisations and managers are always looking to increase the tenure of their employees, especially the employees that would be defined as the talent within the organisation. The phrases “war for talent” or “global battle for talent” (Zagenczyk et al., 2009) is also more commonly heard as companies fight competition to retain their staff (Wait, 2012). At the same time companies are not always in a financial position to use financial incentives to retain employees and need to look for affordable ways of keeping their talent during tough times in preparation for economic upturns when demand for talent increases (Craig, Kimberly, & Cheese, 2012).

Key employees that are difficult to replace are especially sought after. When the costs associated with replacing employees are considered, it is clear that it is an important consideration from a financial perspective. When the consequential costs of losing talented employees such as the impact on relations to key customers, training and development are considered the financial implication becomes very large. Added to that is the globally increasing demand for talented employees (Zagenczyk et al., 2009) that make the market more aggressive and increase the rate that employees may move away from the organisation for a more lucrative offer.

With such competition it is questionable what impact the alignment of psychological contract expectations and commitments may have on the propensity of the employee to remain with the organisation. Will employees that are part of aligned dyadic relationships with their manager be more inclined to remain with the organisation?

This study found a strong correlation between aligned psychological contracts and the likelihood of the employee remaining with the organisation. The association of aligned psychological contracts to employee propensity to leave was the strongest of the three workplace outcomes tested. The test was conducted by asking employees if they were to remain with the organisation assuming that they had complete freedom to go and work elsewhere or possibly not work at all and also if they would return to the

organisation after a brief break due to pregnancy or illness. While this result is encouraging it has to be read in the context of a global recession where the demand for labour may be decreased or less of a priority (Craig et al., 2012) and the perceived security of employees to remain with their current employer may be impacting their responses.

It is also still interesting that despite this reference to retention having decreased priority in tough times that there is still ongoing concern for talent retention when judged on the amount of attention it receives in media. This observation also created an opportunity for further research by comparing the difference between responses given by employees in a recessionary environment compared to a period where the economy is under less strain.

For a more in-depth understanding of this association the construct level correlations of the psychological contract to the propensity to leave the organisation was analysed. As far as the alignment of construct level responses to propensity to leave is concerned, the highest correlation was found with alignment of fulfilment. This observation was supported by Zagenczyk et al. (2011) who found that fulfilment experienced by employees during tough times support retention in place of tangible incentives. Employees that perceive their managers as keeping promises made to them are thus more likely to remain with the organisation. The strength of this association is such that 23.8% of the variance in propensity to leave can be explained by fulfilment.

Strong correlations were also present between the level of alignment on performance support, development and loyalty to propensity to leave. This indicates that employees that receive the expected support from their managers to adapt to performance requirements and who are receiving the expected level of development support from their managers are more likely to remain with the organisation. Employees that sense that they are valued for their contribution are less likely to perceive breach of the contract (Zagenczyk et al., 2011) that could result in them leaving the organisation. Employees may also sense that they may have greater opportunity for future promotion by being developed and supported to perform at higher levels. Under these circumstances it is not a great surprise that they would be more likely to want to remain with the organisation.

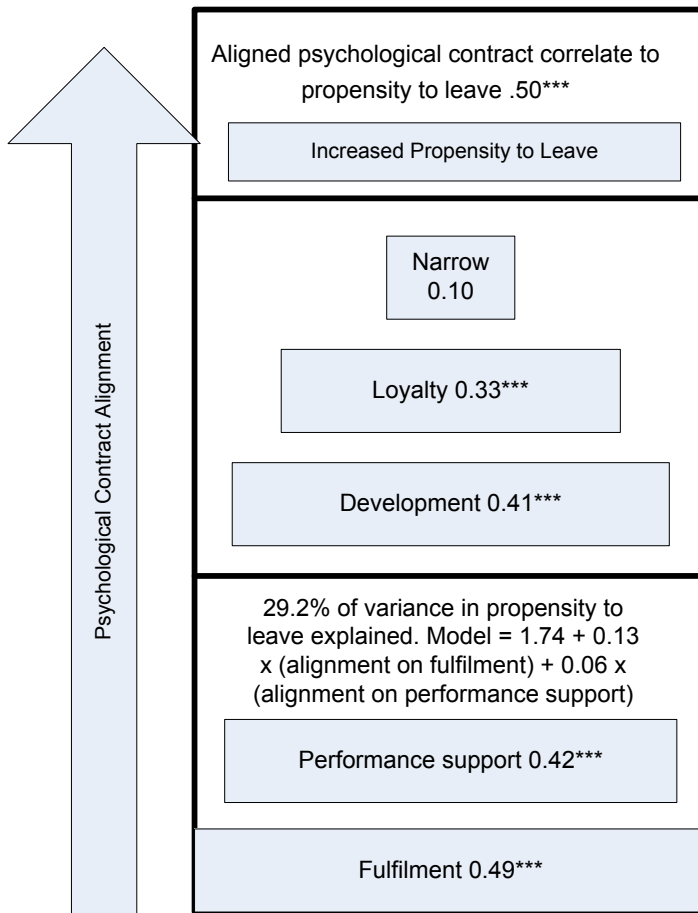
Based on the stepwise regression analysis performed two models resulted. Once again model 2 was preferred for using two independent variables in combination for greater ability to predict the variance in the dependent variable of propensity to leave. What this model suggests is to what extent greater misalignment in fulfilment and performance support will result in a greater likelihood that the employee would leave the organisation as the score increases. The specific application of the model is elaborated on in chapter 5.

The results thus indicate that employees are likely to remain with the organisation when there is greater alignment to the psychological contract. In the context of the current uncertain global economic climate this may be easier due to reduced demand for talent, but organisations have to be pro-active in using alignment as a way of reducing the propensity of staff to leave since it does not put additional financial strain on the organisation as would be the case with other retention incentives. This is especially relevant in preparation for an economic upturn that may see talent leave organisations in great numbers if they are part of misaligned dyadic psychological contracts.

The results confirm the research proposition in that the alignment of the psychological contract associates negatively to employee propensity to leave, thus employees that are part of aligned psychological contracts are less likely to leave the organisation than those that are not part of aligned psychological contracts with their manager.

The results can be graphically represented by model 3 indicated on the next page.

**Model 3: Aligned psychological contract association to propensity to leave**



\*\*\*Correlation is significant at the 0.001 level (2-tailed); \*\*Correlation is significant at the 0.01 level (2-tailed);  
 \*Correlation is significant at the 0.05 level (2-tailed).

## 6.4 Research proposition 4:

**The degree of psychological contract alignment, performance, commitment and propensity to leave of same gender dyads differ from mixed gender dyads.**

Psychological contracts are impacted by gender, age and educational level of the employee (Bellou, 2009). Cultural values were also found to impact the type of psychological contract formed for different age groups and nationalities (Zhao & Chen, 2008).

Since this research focused on the alignment of the psychological contract to the workplace outcomes, it was considered that differences between managers and employees may result in different observations in terms of various aspects related to this study.

For one it was considered that there could be a difference in the level of alignment achieved between managers and employees due to gender similarity or difference. The results found some support in the findings of Matkin and Barbuto (2012) that no differences in the leader-member exchange relationship could be observed due to gender differences. This stands in contradiction to other literature presented. Findings by Suazo et al. (2008) also supported that there were no differences attributable to gender or race as far as perceived psychological contract breach was concerned. In order to position the impact of gender on psychological contract alignment and the related workplace outcomes analysis of the difference in responses between same gender and different gender dyads was carried out.

The analysis was done to check for differences in the responses to the entire psychological contract scale and also for differences within the scale on construct level. Based on the results of the t-tests performed, there were no statistically significant differences observed in the level of alignment achieved for same gender dyads when compared to different gender dyads. This suggests that the level of psychological contract alignment that is achieved in work relationships may not be subject to gender bias. The t-tests were also performed at a construct level to see if there may be differences in the alignment of performance support, development, narrow, loyalty or fulfilment due to gender bias. None of the construct level results indicated a statistically

significant difference in the responses due to gender bias, and this effect could be ruled out.

It was then considered that matched or unmatched gender dyads could have different results when it comes to the performance ratings given by managers to their employees. Once again the results of the t-tests performed indicated that there were no statistically significant differences observed between the ratings given for performance when the manager and employee were gender matched compared to when they were not. This indicates that the rating of employee performance was not subject to gender bias either.

A third objective was to observe if there were any differences between matched and unmatched gender dyads when it came to the level of commitment that the employee felt to the organisation. Would employees that reported to a manager of the same gender be more or less committed to the organisation? The t-test results revealed that there were no statistically significant differences between the options tested, and gender bias in the level of employee commitment could be ruled out.

The fourth was to consider if the matched or unmatched gender dyads indicated any differences in the propensity of the employees to leave then organisation. Once again the t-tests did not indicate that there were any statistically significant difference between the same and different gender groupings, and the possible gender bias on propensity to leave the organisation could be ruled out.

In summary no statistically significant differences could be found due to gender differences in the alignment of the psychological contracts or the dependent variables performance, commitment or propensity to leave.

In conclusion the research proposition was contradicted by the results since the difference between same and different gender dyads did not indicate statistically significant differences in the responses to the level of psychological contract alignment, performance, commitment or propensity to leave the organisation.

## 6.5 Research proposition 5:

**The degree of psychological contract alignment, performance, commitment and propensity to leave of same population group dyads differ from mixed population group dyads.**

As stated in the discussion of the research results for proposition 4, there are various factors that may impact the results obtained from the analysis of psychological contract alignment and the workplace outcomes associated since it deals with human nature and the ever present potential for biased responses to impact the results. While this was supported in the literature (Bellou, 2009; Zhao & Chen, 2008) there was also contradicting results in the literature (Matkin & Barbuto, 2012; Suazo et al., 2008).

To take the analysis of the results a step further than exploring the impact of gender differences, the potential impact that manager to employee relationships of same and different population group dyads could have on the results obtained were considered for its potential impact on the study. The same approach as that used in the discussion of research proposition 4 was followed so that the research proposition could be confirmed or challenged.

The first t-test was carried out on the alignment of the psychological contract observed. The results indicated that there were no statistically significant differences in the level of alignment achieved between managers and employees that are of the same population group dyad as opposed to managers and employees from different population group dyads. Thus the potential for population group bias was discounted as not having an influence on the results obtained from the study for the level of alignment achieved. A deeper analysis was also undertaken on psychological contract construct level. The t-tests at construct level also did not reveal any bias in the responses due to population group differences. Of all the observations made the performance support construct had the greatest potential to explain difference between the groups and was measured at an explanatory ability of only 0.84% of the variance due to population group differences.

The performance rating of employees in same population group dyads compared to employees in different population group dyads were not found to have statistically

significant differences in the variance observed. This finding indicates that there was no population group related bias present in the rating of performance.

The t-tests conducted to check for difference in employee responses of their level of commitment under the different conditions presented also did not reveal any statistically significant differences and again there does not seem to be any changes to the level of commitment that employees have to the organisation attributable to their similarity or difference to their manager in terms of population grouping.

A final check was also made on the potential impact that population group factors may have on the propensity of the employee to remain with the organisation. The same t-test approach revealed that there were no statistically significant differences between the groups. Thus no difference in the propensity to leave the organisation could be attributed to population group factors. This could indicate that no population group within the South African context has a pre-conceived intention to leave the organisation any sooner than other groups. This is especially interesting when read with the findings of (Wöcke & Sutherland, 2008) indicating the difficulty in holding on to non-white talent in South Africa due to opportunities created by empowerment and employment equity requirements. While non-white population groups may have a greater propensity to leave the organisation due to the market opportunities created, the likelihood of the propensity to leave increasing due to being part of a same or different population group dyad can be challenged, further supporting that it is a more market-driven phenomenon.

Establishing that there was no difference in the results obtained is supported in the literature by the findings of Matkin & Barbuto (2012) as well as Suazo et al. (2008) who found no support for differences in their psychological contract relevant studies for population group differences.

Research proposition 5 was also contradicted by the results obtained from the study. The difference between same and different population group dyads did not indicate statistically significant differences in the responses to the level of psychological contract alignment, performance, commitment or propensity to leave the organisation.



## Chapter 7: Conclusion

Managers will always be searching for ways to make resources go further and do more to achieve competitive advantages. It not only helps the organisations that they manage compete better in the marketplace but also adds to their own credibility as managers. One of the most dynamic resources that they have responsibility for is that of human resources. As more and more companies depend on the knowledge worker to produce the services and innovations required to remain competitive in the global economy, the ability to get the greatest benefits from the efforts of human capital will be what makes or breaks an organisation. Managers want employees that perform at high levels, who are committed to the organisation and who are likely to remain with the organisation long enough to make a positive contribution.

Employees in turn look for organisations that allow them to express themselves in the very ways that companies need to be competitive. It could be expected that there is a natural alignment between the needs of managers as representatives of the organisation and those of the employees. If only it were this simple. Human nature is very complex, and misunderstanding and misalignment is potentially more common than finding alignment between individual needs. Employees want to perform, want to work in organisations that they respect enough to be committed to and when they are this committed, they would not want to leave easily.

This need for alignment is further complicated by a great variety of unexpressed needs on the part of managers and employees. The psychological contract as the measure of these unexpressed needs form the basis of this research report. Historically the research focus has been almost exclusively on the view that employees have of this unwritten contract that contains many of their expectations of and commitments to their employer. This research report contributes to knowledge about the psychological contract in an emerging market context by including the views held by managers. The objective was to understand if there is support for both managers and employees to look for congruence or alignment of their views and if such alignment associated to employee performance, commitment and propensity to leave the organisation.

Going beyond an understanding of the association that alignment has to these workplace outcomes was an opportunity to develop a model that best explains how to

apply such alignment to productively achieve the relevant workplace outcome. In this way it has the potential to provide managers with tools to improve the outcomes at work through the productive use of their time by focusing on the right actions.

The study further provided the opportunity to take a view on the possible implications to alignment of the psychological contract and workplace outcomes due to differences in gender dyads and population group dyads.

The workplace outcomes tested were performance of the employees, their commitment to the organisation and their propensity to leave. The study showed that alignment of the psychological contract has merit by associating with all of the workplace outcomes tested. Differences were observed in the strength of the association between the level of alignment achieved and the outcomes. The study further explored the relationship of the association that the psychological contract has to the workplace outcomes at a construct level for a more granular view. The concluding statements about the observations made per construct will follow with some suggestions for future research to conclude the report.

## 7.1 Performance

The results showed that the association that psychological contract alignment between the manager and employee has with performance were the weakest of the three workplace outcomes tested. This supports that it is not sufficient for managers and employees to have agreement and take it for granted that high performance will follow. Managers will still expect to see evidence beyond this sense of alignment that the employee performs well. There are various aspects to the psychological contract that have to be considered first before understanding why it is that alignment associated to higher performance ratings for the employee.

The ratings by managers for performance did associate strongly to the level of alignment found on reciprocal commitments and expectations of loyalty. This is indicative that when there is alignment between the level of personal commitment and sacrifice made for the benefit of the organisation by the employee and the expectation of the manager, as well as the manager delivering on the employee expectation that

the manager has a level of personal concern for the employee, the manager would rate the performance of the employee higher.

The reciprocation that takes place between the employee and manager to the level of individual expectation becomes a virtuous cycle where the perception of the manager that reciprocation is taking place leads to him reciprocating by rating the employee higher on performance. The concern in this case would be if the managers are making a genuine assessment of performance or are they substituting the reciprocal loyalty display by employees for true performance?

While the alignment on development aspects of the psychological contract also correlated to performance, the stepwise regression proposed a model where only the loyalty aspect was included for its ability to explain the variance in performance. For this reason development will not be discussed further although it is noted to have a statistically significant association to performance and possibly associate to performance through a self-fulfilling prophecy.

A surprising observation made about the inverse correlation between aligned fulfilment and the performance rating was especially interesting since it suggested that such congruence of fulfilment associates to lower performance ratings in the short term. The manager may be more accepting of slightly lower performance when part of a fulfilling relationship with the employee. While this found support in existing theory, it has to be considered with caution since the association was not measured to a sufficient level of statistical significance.

A recommendation that came out of the results discussion was that managers should make the time to explicitly agree idiosyncratic deals with their employees to ensure that misalignment does not cause damage to the psychological contract. It is also recommended that managers and employees try to take some of the uncertainty out of psychological contract alignment by having open discussions about the content of the contract.

Finally the possibility of managers also experiencing breach in the psychological contract and responding in affective ways was proposed as a possible explanation for a downward adjustment in employee performance. This proposition means that a shift in

thinking about the workplace relationships has to take place to ensure that the focus is not just on employee expectations and commitments, but also that of the manager.

## 7.2 Commitment

An aligned psychological contract associated stronger to employee commitment than to employee performance. The two psychological contract constructs that associated most to commitment was the alignment of fulfilment and alignment of performance support. In the case of commitment reference is made to both fulfilment and performance support for their combined ability to explain most of the variance in the level of commitment as a result of the model that emerged from stepwise regression.

The level of alignment in fulfilment experienced by the manager and employee had the strongest association with commitment. This indicates that when both the manager and the employee feel that the other party fulfils his commitments and promises to him, the employee is more likely to be committed to the organisation. This example once again makes strong reference to the reciprocation in the relationship having a positive outcome. It would seem that a pattern is developing that confirm that greater alignment could be associated to reciprocity, where alignment is an outcome of the rate of reciprocity. This relationship could be studied in more depth in future.

The theme of reciprocity also runs strongly through the association that performance support has to the level of commitment by the employee. The more the manager provides performance support to the employee at the level expected by the employee while the employee reciprocates to the expectation of the manager to respond to the support provided, the greater the level of commitment by the employee is expected to be. Thus if the reciprocal action by either party is to the satisfaction of the other, the likely outcome is an increase in commitment by the employee since he may feel that his efforts are acknowledged and returned, and that it may continue to be the case in future.

When taken in combination the alignment of fulfilment and performance support has the greatest ability to explain an increased level of commitment by employees. This points out that it would be especially important for managers and employees to agree to what their reciprocal expectation would be as far as fulfilment and performance

support are concerned if the management objective is to have employees that are committed to the organisation.

### 7.3 Propensity to leave

It may not always be the case that an organisation or manager wants to maintain the services of an employee, but where they would like to increase the likelihood that an employee will remain with the organisation it will be beneficial to consider the findings of this report. The result is not the final answer in employee retention but it suggests good leverage points to achieve the retention objective.

Similar to the observation made of how the alignment in the psychological contract associates to the level of commitment by the employee, the aligned psychological contract also associated to the likelihood that the employee would remain with the organisation. Of the three workplace outcomes tested for their association to the psychological contract, the alignment had the strongest association to propensity to remain with the organisation. While this is very exciting the result still has to be read in the context of the external environment where economic pressure may have impacted through a decrease in demand for labour and through employees opting to remain in their current positions where they may perceive some margin of protection against downsizing.

It would be interesting to review the association of alignment in the psychological contract to propensity to leave once the economic environment is more positive with greater demand pulling employees toward more employment options. In this lies both a possible weakness in the results but also an opportunity for future research to study the results longitudinally.

Getting back to the results of this research proposition, the construct level detail revealed that once more the level of alignment in fulfilment associated strongest to propensity to leave and in combination with alignment in performance support resulted in a model able to explain the propensity to leave outcome. Thus when the employee perceives that the manager generally keeps his promises and the manager senses the same from the employee, the employee would be more likely to remain with the

organisation. When this is combined with performance support the likelihood that the employee would remain with the organisation further increases.

## 7.4 Gender and population group influence

This study investigated the possibility that gender or population group may in some way impact the level of psychological contract alignment achieved between managers and employees. It also investigated how gender or population group may impact the workplace outcomes. The focus was not on a specific gender or population group though, but rather if there were differences observed depending on the gender or population group mix of the dyads.

While there are many other variables that may impact the results of the study, gender and population group differences seemed to attract substantial debate in the literature. Considering that the inclusion of the management view of the psychological contract is still relatively new ground in research, it was decided to test for the differences associated with these two variables to further add to the debate.

The results indicated that regardless of whether the manager and the employee are of the same gender or different genders, there were no statistically significant differences between the groups given to any part of the study. The responses received were similar for the level of alignment that was achieved even on a contract construct level, for the performance ratings obtained, for the level of commitment to the organisation as well as the indication of the employee propensity to leave the organisation.

As far as the test for same population group dyads compared to different population group dyads is concerned, the results again showed that there were no statistically significant different to the responses received.

In summary it would seem that the gender or population group combination that form the dyad could not be said to impact the results achieved, despite an expectation that it may have an influence or that some results in the literature support this. This observation was valuable in adding to previous studies that emphasised different expectations of the psychological contract based on gender and culture or race. What this may indicate is that despite the difference in expectations of the psychological

contract for different genders, ages or cultural groups, the ability of managers and employees to find alignment despite these factors may be strong enough to overcome bias and still achieve positive workplace outcomes .

## 7.5 Future research

During the study some areas were identified for possible further research. These areas will be briefly discussed.

Psychological contract theory is a branch of social exchange theory. When considering that there are many other work relationships that include a social exchange, the design of this study may also be implemented there. There are often expectations and commitments between companies and their customers as well as between companies and their suppliers. A similar design could be considered for research of the alignment in these relationships and their ability to explain outcomes such as retention. This would extend psychological contracts into the sphere of customer psychological contracts or supplier psychological contracts.

The study identified the possibility of bias in performance ratings of employees that may be present when managers are loyal and committed to the development of their employees. An area for further research could be to study the impact that a commitment made by a manager to an employee impact on the amount of bias that the manager brings into the relationship and if the bias results in unfair performance ratings of employees that are not as well aligned to the manager.

A frequently recurring pattern observed in the study was the need for reciprocity to take place to ensure that there is ongoing alignment in the relationship. A study to test the relationship between the rate of reciprocity and alignment would add value by giving an indication of the frequency that managers and employees have to re-align to ensure that the best possible workplace outcomes are achieved.

Another frequent observation was the lack of association between the narrow construct elements and other measures. Notable exceptions were the inverse correlation between employee loyalty and the manager response to the narrow construct. This seemed to indicate that expectations by the manager that the employee will express

himself beyond the narrow expectations of the job, may associate to a reduction in employee loyalty almost as if the employee feels obligated rather than doing it voluntarily. The association to psychological contract alignment supported this by indicating that the further the move away from the narrow focus, the greater the misalignment may get.

The study indicated that the economic environment at the time of the study may have had an impact on the results, especially where propensity to leave is concerned. The opportunity for further research would be to conduct the same study, preferably with the same group, at different points in time to measure the impact of changes in the macro environment.

## 7.6 Concluding statement

The research results of the study showed that alignment between the manager and the employee to the psychological contract associated to observations of higher performance, greater commitment and decreased propensity to leave the organisation.

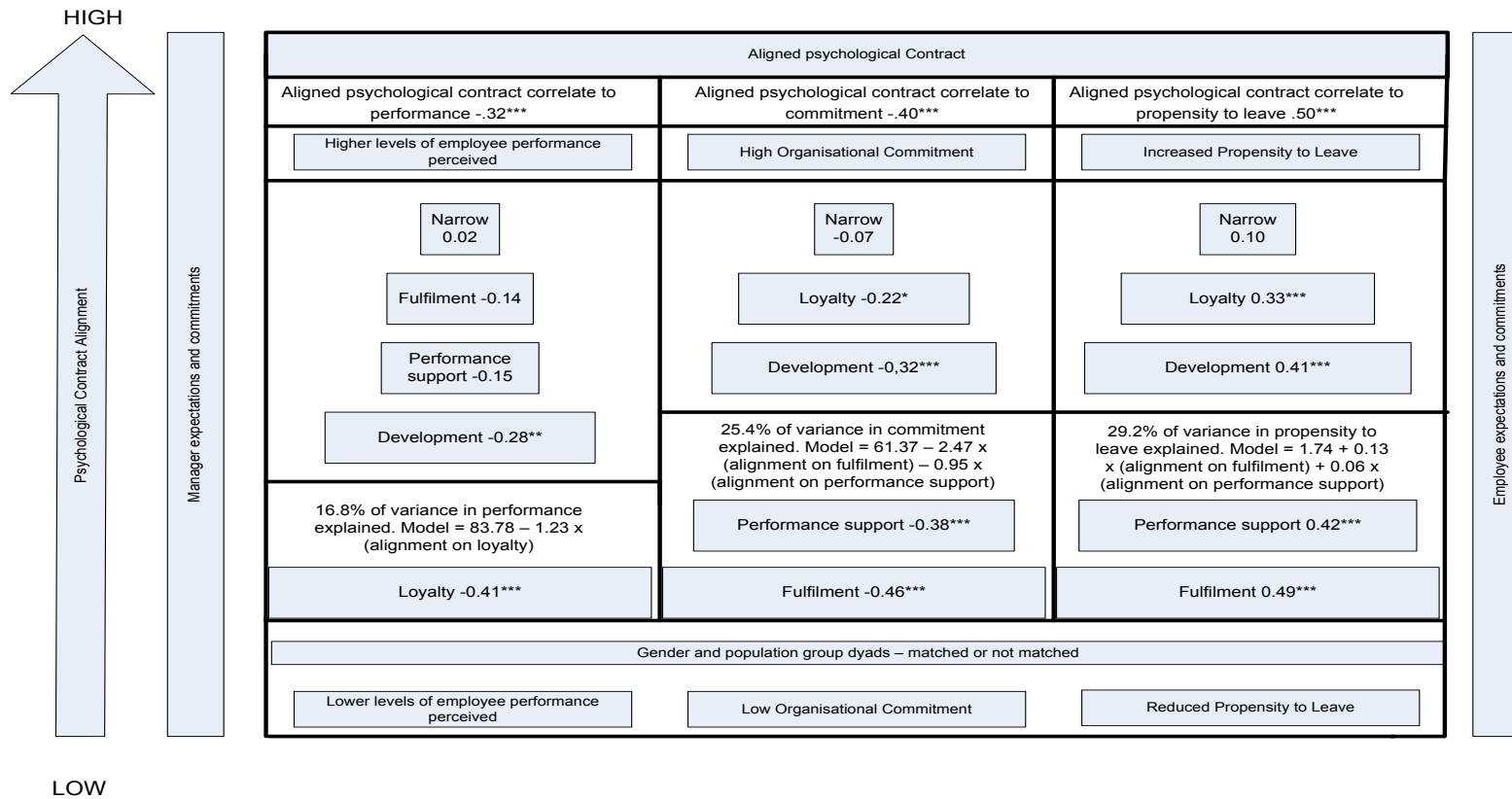
The study concluded by showing that gender and population group differences in the psychological contract dyad did not differ statistically significantly on measures of alignment, performance, commitment and propensity to leave when compared to dyads of same gender or population group.

The study produced three construct level models of the best way to explain variance in the workplace outcomes as well as a comprehensive model 4 shown on the next page that represent the findings of the entire study.

Limitations of the study were indicated as well as areas for future research of the complex system that is the world of work.



### Model 4: Psychological contract alignment model



\*\*\* Correlation is significant at the 0.001 level (2-tailed)  
 \*\*Correlation is significant at the 0.01 level (2-tailed)  
 \*Correlation is significant at the 0.05 level (2-tailed)

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## Annexure A – Questionnaire

### Informed Consent

I am an MBA student at the Gordon Institute of Business Science (GIBS).

As partial requirement to complete the degree I am doing research on the association of psychological contract alignment to workplace outcomes.

You are asked to complete a web based questionnaire that should take no more than 10-15 minutes of your time.

Your participation is voluntary and you can withdraw at any time without penalty.

All data will be kept confidential.

By completing the questionnaire you indicate that you voluntarily participate in this research.

Should you have any questions or concerns, you may contact the researcher or their supervisor. Contact details are provided below.

<b>Researcher</b>	<b>Research Supervisor</b>
Name: De Wet Joubert	Name: Dr. Steve Bluen
Email: ddewetjoubert@gmail.com	Email: bluens@gibs.co.za
Phone: 0828573058	Phone: 0829242003



## Employee Questionnaire

The questionnaire consists of sections A to E. The questionnaire was tested to take 10-15 minutes.

Section	Questions
A	1 - 11
B	12 – 39
C	40 – 43
D	44 – 46
E	47 – 55

Please complete all questions

### Section A

In this section basic background information is captured by completing questions 1 to 11. When you need to choose between different options please indicate with an "X".

1	What is your first name?	
2	What is your surname?	
3	What is the name of your organisation?	
4	What is your job title?	
5	What is the name and surname of your current Manager?	

		Years	Months
6	Indicate your length of tenure at the organisation		
7	Indicate how long you have been reporting to your current manager		
8	Indicate your age at your last birthday		

		Male	Female
9	Indicate your gender		

		Black / African	Coloured	Indian / Asian	White
10	Indicate the population group you belong to				

11 Indicate your highest educational level achieved:

No schooling	Less than primary completed	Primary completed	Secondary not completed	Secondary completed	Tertiary	Other

## Section B

In this section information about your obligations to your employer and their obligations to you is captured by completing questions 12 to 39.

Please complete all the questions

### Employee Obligations

Please answer each question using the following scale unless a different scale is indicated by marking your selection with an "X":

1	2	3	4	5
Not at all	Slightly	Somewhat	Moderately	To a great extent

To what extent have you made the following commitments or obligations to your employer?

No		1	2	3	4	5
		Not at all	Slightly	Somewhat	Moderately	To a great extent
12	Make myself increasingly valuable to my employer					
13	Respond positively to changing performance requirements					
14	Do only what I am paid to do					
15	Make personal sacrifices for this organisation					
16	Accept new and different performance demands					
17	Commit myself personally to this organisation					
18	Protect this organisation's image					
19	Seek out developmental opportunities that enhance my value to this employer					
20	Perform only the required tasks					
21	Adjust to changing performance demands due to business necessity					
22	Take this organisation's concerns personally					
23	Only perform specific duties I agreed to when I was hired					
24	Actively seek internal opportunities for training and development					
25	Fulfil a limited number of responsibilities					
26	Build skills to increase my value to this organisation					

### Employer Obligations

Consider your relationship with your current employer. To what extent has your employer (as typically represented by your direct manager that you report to) made the following commitments or obligations to you?

No		1 Not at all	2 Slightly	3 Somewhat	4 Moderately	5 To a great extent
27	Support me to attain the highest possible levels of performance					
28	To be concerned for my long-term well-being					
29	To help me respond to ever greater industry standards					
30	To limit my job to specific, well-defined responsibilities					
31	To make decisions with my interests in mind					
32	To ensure I have scope for advancement within this firm					
33	To train me only for my current job					
34	To ensure that I have opportunities for promotion					
35	Require me to perform only a limited set of duties					
36	To be concerned for my personal welfare					
37	To provide me with developmental opportunities within this firm					
38	To enable me to adjust to new, challenging performance requirements					
39	To be responsive to my personal concerns and well-being					

### Section C

Provide feedback about the commitments you made to your employer, how well you feel you kept to those commitments and also how you feel about commitments made by your employer to you and how well those commitments were fulfilled. Question 40 to 43 applies.

Please complete all the questions by marking your selection with an "X"

#### Fulfilment

No		1 Not at all	2 Slightly	3 Somewhat	4 Moderately	5 To a great extent
40	Overall, how well have you fulfilled your commitment to your employer					
41	In general, how well do you live up to your promises to your employer					
42	Overall, how well does your employer fulfil its commitments to you					
43	In general, how well does your employer live up to its promises					

## Section D

Consider your future relationship with your employer and answer question 44 to 46.

Please complete all the questions

### Continuity

Please mark your selection with an “X” on question 44 and 45. Please complete question 46 by providing a number for years and months

No		Yes	No
44	If you were completely free to choose, would you prefer to keep working in this organisation (Yes) or would you prefer not to (No)?		
45	If you had to quit work for a while (for example through pregnancy or illness) would you return to this organisation?		

		Years	Months
46	How long would you like to stay in this organisation?		

## Section E

Think about your level of commitment to the organisation. Please answer question 47 – 55 to indicate your level of agreement with the statements made.

Please complete all the questions

### Organisational Commitment

Please answer each question using the following scale by marking your selection with an “X”:

1	2	3	4	5	6	7
Strongly disagree	Moderately Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Moderately Agree	Strongly agree

No		1	2	3	4	5	6	7
		Strongly disagree	Moderately disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Moderately Agree	Strongly agree
47	I am willing to put a great deal of effort beyond that normally expected to help this organisation be successful							
48	I talk up this organisation to my friends as a great organisation to work for							
49	I would accept almost any type of job assignment in order to keep working for this organisation							
50	I find that my values and the organisation's values are very similar							
51	I am proud to tell other that I am part of this organisation							
52	This organisation really inspires the very best in me in the way of job performance							
53	I am extremely glad that I chose this organisation to work for, over others I was considering at the time I joined							
54	I really care about the fate of this organisation							
55	For me this is the best of all possible organisation for which to work							

**END OF QUESTIONNAIRE – THANK YOU**

## Informed Consent

I am an MBA student at the Gordon Institute of Business Science (GIBS).

As partial requirement to complete the degree I am doing research on the association of psychological contract alignment to workplace outcomes.

You are asked to complete a web based questionnaire that should take no more than 10-15 minutes of your time.

Your participation is voluntary and you can withdraw at any time without penalty.

All data will be kept confidential.

By completing the questionnaire you indicate that you voluntarily participate in this research.

Should you have any questions or concerns, you may contact the researcher or their supervisor. Contact details are provided below.

<b>Researcher</b>	<b>Research Supervisor</b>
Name: De Wet Joubert	Name: Dr. Steve Bluen
Email: ddewetjoubert@gmail.com	Email: bluens@gibs.co.za
Phone: 0828573058	Phone: 0829242003

## Employer (Manager) Questionnaire

The questionnaire consists of sections A to D. The questionnaire was tested to take 10-15 minutes.

Section	Questions
A	1 - 11
B	12 - 39
C	40 - 43
D	44 - 63

Please complete all questions

### Section A

In this section basic background information is captured by completing questions 1 to 11.

1	What is your first name?	
2	What is your surname?	
3	What is the name of your organisation?	
4	What is your job title?	
5	What is the name and surname of the employee you are evaluating?	

		Years	Months
6	Indicate your length of tenure at the organisation		
7	Indicate how long the employee has been reporting to you:		
8	Indicate your age at your last birthday:		

		Male	Female
9	Indicate your gender:		

		Black / African	Coloured	Indian / Asian	White
10	Indicate the population group you belong to:				

11 Indicate your highest educational level achieved:

No schooling	Less than primary completed	Primary completed	Secondary not completed	Secondary completed	Tertiary	Other

## Section B

Consider the obligations that you expect the employee to fulfil and what obligation you feel you should fulfil towards the employee by completing questions 12 to 39.

Please complete all the questions by marking your selection with an "X"

### Employee Obligations

Please answer questions by using the following scale unless a different scale is indicated:

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Not at all	Slightly	Somewhat	Moderately	To a great extent

To what extent do you have the following expectations of your employee?

No		1	2	3	4	5
		Not at all	Slightly	Somewhat	Moderately	To a great extent
12	To make him / herself increasingly valuable to the employer					
13	To respond positively to changing performance requirements					
14	To do only what he / she is paid to do					
15	To make personal sacrifices for this organisation					
16	To accept new and different performance demands					
17	To commit him / herself personally to this organisation					
18	To protect this organisation's image					
19	To seek out developmental opportunities that enhance his / her value to this employer					
20	To perform only the required tasks					
21	To adjust to changing performance demands due to business necessity					
22	To take this organisation's concerns personally					
23	To only perform specific duties he / she agreed to when he / she was hired					
24	To actively seek internal opportunities for training and development					
25	To fulfil a limited number of responsibilities					
26	To build skills to increase his / her value to this organisation					

Consider your relationship with your current employee. To what extent do you believe you have the following commitments or obligations to him / her?

No		1	2	3	4	5
		Not at all	Slightly	Somewhat	Moderately	To a great extent
27	To support him / her to attain the highest possible levels of performance					
28	To be concerned for his / her long-term well-being					
29	To help him / her respond to ever greater industry standards					



30	To limit his / her job to specific, well-defined responsibilities					
31	To make decisions with his / her interests in mind					
32	To ensure he / she has scope for advancement within this firm					
33	To train him / her only for their current job					
34	To ensure that he / she has opportunities for promotion					
35	Require him / her to perform only a limited set of duties					
36	To be concerned for his / her personal welfare					
37	To provide him / her with developmental opportunities within this firm					
38	To enable him / her to adjust to new, challenging performance requirements					
39	To be responsive to his / her personal concerns and well-being					

### Section C

Provide feedback about the commitments you made to your employee, how well you feel you kept to those commitments and also how you feel about commitments made by your employee to you and how well those commitments were fulfilled. Question 40 to 43 applies.

Please complete all the questions by marking your selection with an "X"

#### Fulfilment

No		1	2	3	4	5
		Not at all	Slightly	Somewhat	Moderately	To a great extent
40	Overall, how well does your employee fulfil his / her commitments to you					
41	In general, how well does your employee live up to his / her promises					
42	Overall, how well have you fulfilled your commitment to your employee					
43	In general, how well do you live up to your promises to your employee					

## Section D

Think of your relationship with the employee and rate their performance by completing questions 44 to 63.

Please complete all the questions by marking your selection with an "X"

### Employee Performance

Please answer each question using the following scale:

1	2	3	4	5
Needs much improvement	Needs some improvement	Satisfactory	Good	Excellent

No		1	2	3	4	5
		Needs much improvement	Needs some improvement	Satisfactory	Good	Excellent
44	Quantity of work output					
45	Quality of work output					
46	Accuracy of work					
47	Customer service provided (internal and external)					
48	Obtaining personal career goals					
49	Developing skills needed for his / her future career					
50	Making progress in his / her career					
51	Seeking out career opportunities					
52	Coming up with new ideas					
53	Working to implement new ideas					
54	Finding improved ways to do things					
55	Creating better processes and routines					
56	Working as part of a team or work group					
57	Seeking information from others in his / her work group					
58	Making sure his / her work group succeeds					
59	Responding to the needs of others in his / her work group					
60	Doing things that help other when it's not part of his / her job					
61	Working for the overall good of the company					
62	Doing things to promote the company					
63	Helping so that the company is a good place to be					

**END OF QUESTIONNAIRE – THANK YOU**

## Annexure B – Permission to use RBPS

1

**Joubert**

**From:** Theresa M. Welbourne, PhD [theresa@eepulse.com]

**Sent:** 14 May 2012 09:35 PM

**To:** Joubert

**Subject:** Re: Request for permission to use RBPS

Yes. You have my permission. I'd be interested in seeing your results. Thanks.

Theresa

Sent from my BlackBerry

**From:** "Joubert" <ddewetjoubert@gmail.com>

**Date:** Mon, 14 May 2012 21:29:24 +0200

**To:** <theresa.welbourne@marshall.usc.edu>

**Subject:** Request for permission to use RBPS

Good day Professor Welbourne,

I am currently a second year MBA student at the Gordon Institute of Business Science (GIBS) in South Africa. GIBS is affiliated to the University of Pretoria.

A part of my research project looks at the observed performance of employees by their managers. The Role-Based Performance Scale as published in the Academy of Management Journal 1998, Vol. 41, No. 05 would support the study that I am undertaking and your permission to use the scale would be greatly appreciated.

I am studying under the supervision of Dr. Steve Bluen.

Please let me know if you require any additional information in support of my request.

Best Regards

De Wet Joubert

GIBS MBA 2011/12

Additional Information:

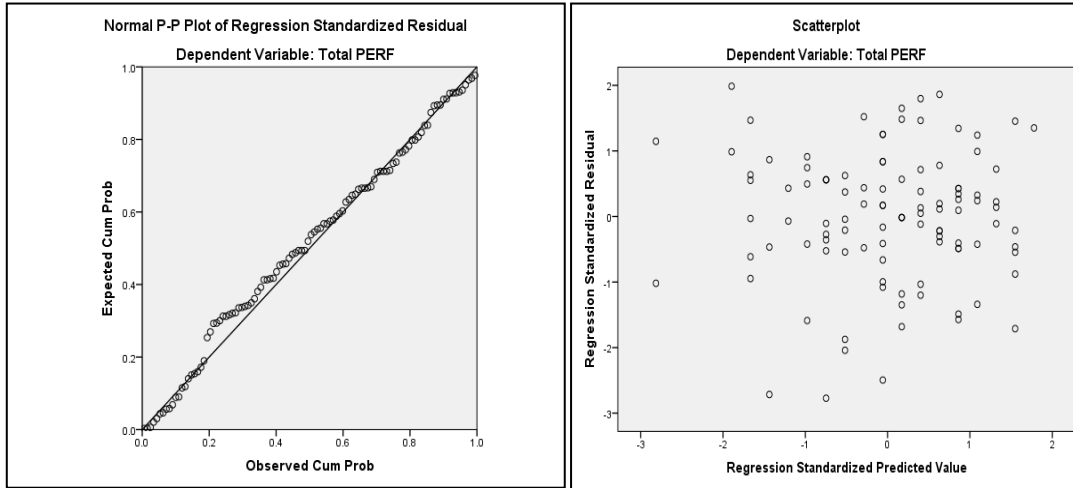
Mobile number: +2711828573058

GIBS website: [www.gibs.co.za](http://www.gibs.co.za)

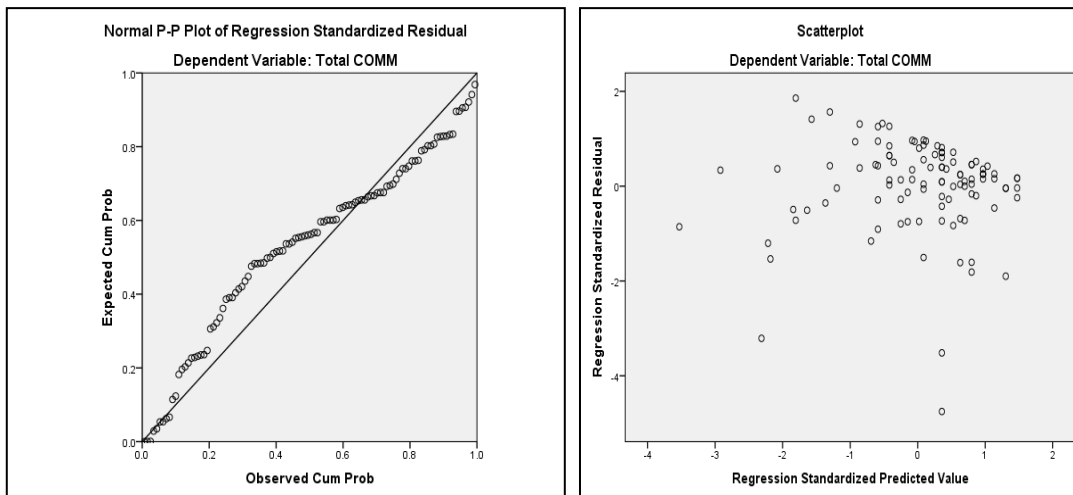
Dr. Steve Bluen email: [bluens@gibs.co.za](mailto:bluens@gibs.co.za)

## Annexure C

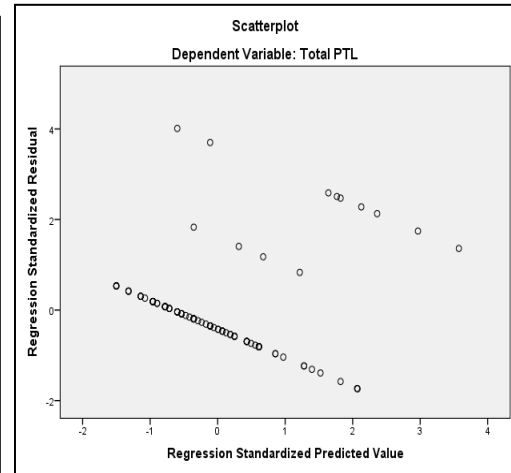
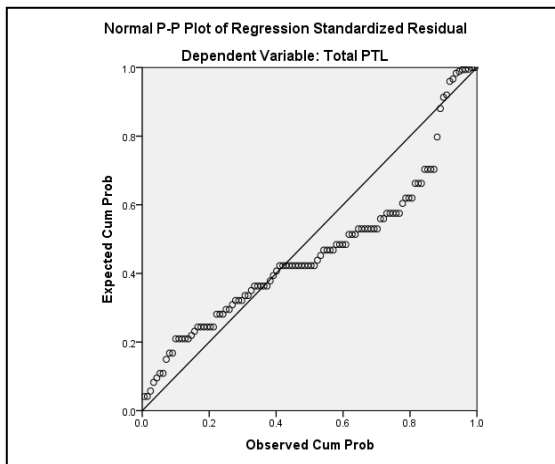
### Stepwise regression P-P Plot and Scatterplot – Research Proposition 1



### Stepwise regression P-P Plot and Scatterplot – Research Proposition 2



## Stepwise regression P-P Plot and Scatterplot – Research Proposition 3



## Annexure D – psychological contract scale items by construct

Employee psychological contract scale items referenced to constructs:

Item	Construct element description
Make myself increasingly valuable to my employer	Development – Balanced
Respond positively to changing performance requirements	Performance support – Balanced
Do only what I am paid to do	Narrow - Transactional
Make personal sacrifices for this organisation	Loyalty - Relational
Accept new and different performance demands	Performance support – Balanced
Commit myself personally to this organisation	Loyalty - Relational
Protect this organisation's image	Loyalty - Relational
Seek out developmental opportunities that enhance my value to this employer	Development – Balanced
Perform only the required tasks	Narrow - Transactional
Adjust to changing performance demands due to business necessity	Performance support – Balanced
Take this organisation's concerns personally	Loyalty - Relational
Only perform specific duties I agreed to when I was hired	Narrow - Transactional
Actively seek internal opportunities for training and development	Development – Balanced
Fulfil a limited number of responsibilities	Narrow - Transactional
Build skills to increase my value to this organisation	Development – Balanced
Support me to attain the highest possible levels of performance	Performance support – Balanced
To be concerned for my long-term well-being	Loyalty - Relational
To help me respond to ever greater industry standards	Performance support – Balanced
To limit my job to specific, well-defined responsibilities	Narrow - Transactional
To make decisions with my interests in mind	Loyalty - Relational
To ensure I have scope for advancement within this firm	Development – Balanced
To train me only for my current job	Narrow - Transactional
To ensure that I have opportunities for promotion	Development – Balanced
Require me to perform only a limited set of duties	Narrow - Transactional
To be concerned for my personal welfare	Loyalty - Relational
To provide me with developmental opportunities within this firm	Development – Balanced
To enable me to adjust to new, challenging performance requirements	Performance support – Balanced
To be responsive to my personal concerns and well-being	Loyalty - Relational
Overall, how well have you fulfilled your commitment to your employer	Employee fulfilment
In general, how well do you live up to your promises to your employer	Employee fulfilment
Overall, how well does your employer fulfil its commitments to you	Employer fulfilment
In general, how well does your employer live up to its promises	Employer fulfilment

Manager psychological contract scale items referenced to constructs:

Item	Construct element description
Make him / herself increasingly valuable to the employer	Development – Balanced
Respond positively to changing performance requirements	Performance support – Balanced
Do only what he / she is paid to do	Narrow - Transactional
Make personal sacrifices for this organisation	Loyalty - Relational
Accept new and different performance demands	Performance support – Balanced
Commit him / herself personally to this organisation	Loyalty - Relational
Protect this organisation's image	Loyalty - Relational
Seek out developmental opportunities that enhance his / her value to this employer	Development – Balanced
Perform only the required tasks	Narrow - Transactional
Adjust to changing performance demands due to business necessity	Performance support – Balanced
Take this organisation's concerns personally	Loyalty - Relational
Only perform specific duties he / she agreed to when he / she was hired	Narrow - Transactional
Actively seek internal opportunities for training and development	Development – Balanced
Fulfil a limited number of responsibilities	Narrow - Transactional
Build skills to increase his / her value to this organisation	Development – Balanced
Support them to attain the highest possible levels of performance	Performance support – Balanced
To be concerned for their long-term well-being	Loyalty - Relational
To help them respond to ever greater industry standards	Performance support – Balanced
To limit their job to specific, well-defined responsibilities	Narrow – Transactional
To make decisions with their interests in mind	Loyalty - Relational
To ensure they have scope for advancement within this firm	Development – Balanced
To train him / her only for their current job	Narrow – Transactional
To ensure that they have opportunities for promotion	Development – Balanced
Require them to perform only a limited set of duties	Narrow – Transactional
To be concerned for their personal welfare	Loyalty - Relational
To provide them with developmental opportunities within this firm	Development – Balanced
To enable them to adjust to new, challenging performance requirements	Performance support – Balanced
To be responsive to their personal concerns and well-being	Loyalty - Relational
Overall, how well have you fulfilled your commitment to your employee	Manager fulfilment
In general, how well do you live up to your promises to your employee	Manager fulfilment
Overall, how well does your employee fulfil his / her commitments to you	Employer fulfilment
In general, how well does your employee live up to his / her promises	Employer fulfilment