

The final article in this section, Gary Dessler's "How to Earn Your Employees' Commitment," responds to a business challenge that resulted from major modifications in the psychological contract. Before the 1980s, employees expected their competence and loyalty to be rewarded with long-term employment and advancement. Globalization and rapid changes in the business environment, however, produced massive terminations resulting from downsizing, reengineering, and mergers and acquisitions. Many employees had to accept a new psychological contract consisting of increasing demands for performance, flexibility, and innovation *without* the promise of job security. Not surprisingly, less commitment on the part of employers was matched by less commitment on the part of employees; putting individual career needs ahead of the company's needs became more common as did frequent job-hopping. The commitment challenge was compounded in the United States by the tightest labor market since the 1950s; as a result more companies are competing for workers, devoting more effort to retaining them, and worrying about commitment. Dessler, an authority on human resources, explains why committed employees are so crucial and provides practical lessons from organizations that are good at building commitment.



THE PSYCHOLOGICAL CONTRACT: VIOLATIONS AND MODIFICATIONS*

Denise M. Rousseau

"They promised me a job in marketing and here I am doing telephone sales."

"The company promised that no one would be fired out of the training program—that all of us were 'safe' until placement. In return for this security, we accepted lower pay. The company subsequently fired four people from the training program."

"Original representations of the company's financial and market strength (were) clearly fraudulent."

The common thread found in these quotations from recently hired employees is a violation of the psychological contract, which is defined as individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organizations. A contract is a mental model that people use to frame events such as promises, acceptance, and reliance. The promises that make up contracts have no objective meaning. Promises ultimately are perceptions of what was sent and what was meant. Perceptions, however, are not simply passive interpretations of reality; people create their own meaning for many events. The close supervision one person sees as controlling may seem supportive and helpful to her coworker. Yet reality is not constructed wholly in the minds of individuals. Groups sometimes do agree on events and their meaning. Investment bankers, for example, may share a belief that their firm rewards those who make profitable deals.

Contract violation erodes trust. It undermines the employment relationship, yielding both lower employee contributions (e.g., performance and attendance) and lower employer investments (e.g., retention and promotion) in employees. Therefore, it's important for managers to understand how to avoid violating psychological contracts unnecessarily and how to modify them without eroding trust when change is essential.

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Psychological contract violation can run the gamut from subtle misperceptions to stark breaches of good faith. In organizations, violated contracts are at the heart of many lawsuits brought by customers and employees. Although potentially damaging to reputations, careers, and relationships, violations also appear to be both frequent and survivable.

The basic facts of contract violation are these:

- Contract violation is commonplace.
- Violated contracts lead to adverse reactions by the injured party.
- Failure to fulfill a contract need not be fatal to the relationship.

WHAT IS CONTRACT VIOLATION?

In the strictest sense, violation is a failure to comply with the terms of a contract. But, given the subjective nature of psychological contracts, how people interpret the circumstances of this failure determines whether they experience a violation. Violation takes three forms (Table 1). *Inadvertent violation* occurs when both parties are able and willing to keep their bargain, but divergent interpretations lead one party to act in a manner at odds with the understanding and interests of the other. Two people who misunderstand the time of a meeting will inadvertently fail to honor their mutual commitment to attend. *Disruption* to the contract occurs when circumstances make it impossible for one or both parties to fulfill their end of the contract, despite the fact that they are willing to do so. A plant closing forced by a hurricane can prevent an employer from providing work. Similarly, a car accident can keep an employee from showing up to work on time. *Reneging* or *breach of contract* occurs when one side, otherwise capable of performing the contract, refuses to do so. A bank manager who wants to spend more time with his family leaves a high demand/high pay job with one bank for another with a smaller financial institution. The major attraction of the new bank for the manager is its low pressure environment, which is played up by the officers who recruit him. Within two weeks of taking the job, the manager learns that the smaller firm is starting an aggressive marketing campaign he is expected to head, which will keep him away from his family for even longer hours than before. Damages include increased stress and family conflict along with loss of reputation if he tries to change jobs again soon. The sense of betrayal and entrapment this manager feels exacerbates his personal costs from the organization's actions. Whether the victim understands the source of violation to be unwillingness or inability to comply has a tremendous impact on how violation is experienced and what victims do in response (Bies and Moag, 1986).

Although contracts can be violated in innumerable ways, there are a number of common forms (Table 2). Recruiters may overpromise a job's opportunity for challenge, growth or development, while at the same time, eager job seekers may read into a promise what they want to hear. Managers, coworkers, or executives who say one thing and do another all can engender violation. A common cause of violation for many employees involves a change in superiors. When one's boss or mentor is promoted, terminated, or retired, old deals may be abrogated. Similarly, changes in human resource practices, even with constructive intent (e.g., to align with a new business strategy) can appear to break old

TABLE 1 Sources of Experienced Violation

Inadvertent	Able and willing (divergent interpretations made in good faith)
Disruption	Willing but unable (inability to fulfill contract)
Breach of contract	Able but unwilling (reneging)

TABLE 2 Sources of Violation by Contract Makers and Systems

Sources	Violations
Contract makers:	
recruiters	<ul style="list-style-type: none"> ■ unfamiliar with actual job ■ overpromise
managers	<ul style="list-style-type: none"> ■ say one thing, do another
coworkers	<ul style="list-style-type: none"> ■ failure to provide support
mentors	<ul style="list-style-type: none"> ■ little follow-through ■ few interactions
top management	<ul style="list-style-type: none"> ■ mixed messages
Systems:	
compensation	<ul style="list-style-type: none"> ■ changing criteria ■ reward seniority, low job security
benefits	<ul style="list-style-type: none"> ■ changing coverage
career paths	<ul style="list-style-type: none"> ■ dependent on one's manager ■ inconsistent application
performance review	<ul style="list-style-type: none"> ■ not done on time ■ little feedback
training	<ul style="list-style-type: none"> ■ skills learned not tied to job
documentation	<ul style="list-style-type: none"> ■ stated procedures at odds with actual practice

commitments (e.g., introducing new results-based performance criteria among veteran employees used to a seniority system). Then there is the phenomenon of mixed messages, where different contract makers express divergent intentions. A mission statement can convey that the organization rewards based upon merit ("commitment to excellence") while the compensation system is based on seniority. Different contract sources may each convey mutually exclusive promises.

WHEN IS VIOLATION MOST LIKELY?

- When there is a history of conflict and low trust in the relationship.
- When social distance exists between the parties such that one does not understand the perspective of the other.
- When an external pattern of violations exists (e.g., an era of business retrenchment).
- When incentives to breach contracts are very high or when perpetrators perceive themselves to have no alternatives (e.g., organizational crises).
- When one party places little value in the relationship (e.g., alternative parties are relatively available and there are few sunk costs).

WHEN A CONTRACT IS VIOLATED

Responses to violation take many forms. Violated contracts promote mistrust, anger, and attrition and change the way people behave in subsequent interactions. The aftermath of contract violation can be seen in declining corporate loyalty and increased litigation. Managers decry the decline of employee loyalty, while at the same time, the workforce has been counselled to eschew reliance on job security and employee commitments, and to "pack its own parachute" instead. In both instances there is the suggestion of contract violation, and the implication that at least one party has failed to keep its side of the bargain.

TYPES OF RESPONSES

Whether organizations and individuals choose to end their relationship, resolve their dispute, sue, or suffer in silence is a function of both situational factors and the predispositions of the parties. Previous research on responses to the more general phenomenon of dissatisfaction has largely focused on four courses of action: exit, voice, loyalty, and destruction. Although studied in various combinations (e.g., Hirschman, 1970's *Exit, Voice, and Loyalty*) and labels (e.g., Farrell's, 1983, *Exit, Voice, Loyalty and Neglect*), these courses of action reflect two essential dimensions: active-passive and constructive-destructive (Figure 1).

Personal characteristics predisposing the victim to believe that the relationship is valuable or can be saved should promote either relationship-building behaviors of voice or loyalty. Without this belief, behaviors that undermine the relationship, exit or destruction, are more likely. Research on individual reactions to inequitable situations suggests that people differ in terms of their willingness to tolerate unfair or inequitable exchanges (Berscheid and Walster, 1973). "Equity-sensitives" are people who tend to monitor their exchanges with others very carefully. "Beneficient" individuals are those who tend to be other-oriented, or comfortable when exchanges benefit others more than themselves. There is some evidence that men are more likely to be equity-sensitive and women more beneficent, although personality and other factors also enter in.

Situational factors promoting certain behaviors and inhibiting others also affect responses to violation. Social learning and the presence of behavioral role models tend to induce certain types of behaviors. Thus, employees in organizations where other victims have left might be inclined to leave themselves. Similarly, individuals who have observed others successfully complain about their treatment might themselves be inclined to complain (Robinson, 1992). It is likely that the culture of the organization shapes the type of violation responses people make. A very bureaucratic organization that stifles communication and deviant behavior probably engenders little voice and more neglect and disloyalty. An open, communal organization might foster more overt complaints, as well as attempting to repair the contract by communicating with superiors.

Exit is voluntary termination of the relationship. Employers can terminate workers whose performance does not meet standards (e.g., too frequently tardy, absent, or careless), while workers can quit an untrustworthy or unreliable employer (e.g., who fails to deliver promised training or promotions). Exit is most likely in employment with transactional terms, where its costs are relatively low. Transactional terms are exemplified by *a fair day's work for a fair day's pay*—focusing on short-term and monetizable exchanges. Employment agencies such as Manpower, Kelly, Nursetemps, and other temporary employment services offer organizations the opportunity to create purely transactional agreements with workers. Transactional contract terms include: specific economic conditions (e.g., wage rate) as the primary incentive, limited personal involvement in the job, closed-ended time frame (e.g., seasonal employment), commitments limited to well-specified conditions (e.g., union contract), unambiguous terms readily understood by outsiders, and the use of existing skills (no development).

Both active and destructive, exit terminates the relationship. The vast majority of people quitting jobs within the first two years of employment report that their employer had violated commitments it had made (Robinson and Rousseau, 1994).

FIGURE 1 Responses to Violation

	Constructive	Destructive
Active	Voice	Neglect/Destruction
Passive	Loyalty/Silence	Exit

Exit is most likely following violation when:

1. the contract is transactional;
2. many other potential jobs or potential employees are available;
3. the relationship is relatively brief;
4. other people are also exiting; and
5. attempts to remedy a violated contract have failed.

However, it should be pointed out that violations don't always lead to exit. Robinson and Rousseau (1994) found that although 79 percent of leavers reported violated contracts, so too did 52 percent of stayers. While enduring violation, stayers can manifest three forms of response: voice, loyalty, or neglect.

Voice refers to the actions victims take to remedy the violation. Any attempt to change the objectionable features in the situation, such as complaints to one's boss or to human resources, or the filing of a grievance, are efforts made to remedy or compensate for the violation while remaining in the relationship. As a means of expressing general dissatisfaction, voice has received wide study in terms of grievance filing (Allen and Keaveny, 1981), willingness to vote for unions (Getman, Goldberg and Herman, 1976), and whistleblowing (Near and Miceli, 1986). However, as a means of remediating a contract violation, voice has distinct features from reparations for dissatisfaction. Voice in contract violation focuses on (1) reducing losses and (2) restoring trust.

As a response to dissatisfaction, voice often has been associated with relationship-threatening alternatives, where members in effect burn their bridges (e.g., whistleblowing). Voice in response to contract violation is an active, constructive effort and is manifest in a number of ways. In a study of MBA alumni, there were three major types of employee voice behaviors: talking with superiors, threats, and changes in behavior (Rousseau, Robinson and Kraatz, 1992).

Talking with superiors was the most frequent type of voice:

I discussed my disappointment with my boss and also with my mentor. I was assured that, although I did not receive a bonus, my performance was above average. I was promoted and received a salary increase six months later.

Some complaints obtain some sort of substitution:

They said the situation was out of their hands and gave me a substantial salary increase.

Some complaints elicit no response:

My boss paid lip service to making changes, but nothing actually occurred.

Voice can take the form of a threat in a smaller number of cases:

I threatened to leave based on my work assignment, training, and development opportunities. I was given new assignments, more training, and was allowed to stretch for development... however, I believe that happened primarily because of my director; another director probably would have let me leave.

In a few instances, a change in the victim's behavior generates a response:

I was unhappy with the situation and my performance reflected it. The decision was made by (my) managers to reverse the situation. I now report to the marketing manager with a dotted line reporting relationship with the financial manager (a reversal of the previous situation).

Exit was the final resort for some:

First there was a confrontation on my part to bring the problem forth, then following further un-kept promises, I left the company (giving over a month's notice).

Voice is most likely when:

1. A positive relationship and trust exist.
2. Voice channels exist.
3. Other people are using voice.
4. People believe that they can influence the other contract party.

Silence is a form of non-response. Manifest as loyalty or as avoidance, silence reflects a willingness to endure or accept unfavorable circumstances. Silence can imply pessimism, in terms of believing that one has no available alternatives. Or, silence can reflect loyalty—optimistically waiting for conditions to improve (Rusbult, Farrell, Rogers, and Mainous, 1988). As a passive, constructive response, silence serves to perpetuate the existing relationship:

I started spending more time with my family and worrying less about what was happening at work.

Silence is likely when:

1. there are no voice channels, or established ways of complaining or communicating violations, and
2. no available alternative opportunities exist elsewhere.

Neglect, which entails passive negligence or active destruction, is a complex form of response. It can involve neglect of one's duties to the detriment of the interests of the other party. Passive-aggressive employee behavior, as in work slowdowns or providing customers with poor service, is a form of neglect, as is an organization's failure to invest in certain employees while developing others. Even when passive, neglect reflects erosion of the relationship between the parties. Destruction involves more active examples of counterproductive behaviors, including vandalism, theft, and interpersonal aggression (e.g., violence at work).

VIOLATION ISN'T THE END OF THE CONTRACT

Exit is only one of many results of contract violation. The fact that so many people with violated contracts remain with their employer suggests although violation may be based on a discrete event (e.g., a willful breach of contract terms), a contract's fulfillment is more a matter of degree. When Robinson and Rousseau (1994) asked employees to indicate whether their contract had been violated using a yes/no format, a total of 59 percent indicated *Yes*. However, when respondents were asked if their contract had been ultimately fulfilled by their employer, a large proportion (73 percent) indicated that their employer had honored its commitments at least moderately well. Among those employees reporting a violation at some point in the first two years of employment, 48 percent indicated that their contract had been honored at least somewhat by their employer. The major difference was that for victims of violation, the model rating of fulfillment was 3 on a 5 point scale (mean = 2.65) while for non-victims it was 4 (mean = 3.93). Extent of contract keeping was affected by what benefits the employee received (e.g., if not the promotion as scheduled, then a later promotion) as well as whether the violation was an isolated incident or part of a larger pattern. These findings suggest that although violation is a discrete event, contract fulfillment is not. Rather, fulfillment is a continuum shaped by both the quality of the relationship and post-violation behavior of both the victim and perpetrator.

How people respond to violation is largely a function of attributions made regarding the violators' motives, the behavior of the violator, and the scope of losses incurred. To understand how events are experienced as violations, it is necessary to take into account the perspective of the victim and the behavior of the perpetrator. For the prospective victim, the experience of violation is heightened when:

- Losses seem greater; experienced violation is a matter of degree rather than a discrete event (all or nothing).

- The event occurs in a context where it poses a threat to the relationship between the parties (e.g., a history of previous breach or conflict).
- The violation event appears to be voluntary, as opposed to inadvertent, accidental, or due to forces beyond the violator's control.
- No evidence of good faith efforts to avoid violation (the appearance of irresponsibility or neglect) is perceived by the victim.

The strength and quality of the relationship affects not only the extent to which violation is tolerated or leads to dissolution of the contract, but also affects the ability of the parties to repair the relationship. How people are treated following violation can repair the relationship or exacerbate its problems.

The dynamics of psychological contract violation offer some lessons for both managers and workers. Perceptions are facts to the person who shares them and must be taken into account in a successful worker-manager relationship. When changes are introduced it is quite possible that workers will believe that new practices will violate old promises. Rather than merely accepting the inevitability of violation, a number of steps spell the difference between a well managed employment relationship and violation, anger, and mistrust.

Actively seek to understand what the people we work with interpret to be our and the organization's commitments to them. This understanding makes it easier to both honor existing commitments as well as to know how to effectively change a deal or create a new one.

Recognize that any departure from the status quo can involve losses, painful consequences for the people who have enjoyed its benefits. Managing these losses, first by recognizing what forms they might take, and then taking steps to offset or accommodate them, can spell the difference between successful management and a breach of trust.

Even when complaints and anger indicate a violation has been experienced, a sense of good faith can be restored when the issues are directly addressed through a joint problem-solving process. Such actions can make a so-so relationship far stronger by showing commitment to joint agreement and respect for the people involved.

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