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Reactions to psychological contract breaches: An experimental manipulation of severity

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Undergraduate Honors Thesis Under the Direction of

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**Abstract**

The effects of perceived severity of psychological contract breaches upon employees' LMX and psychological contract perceptions, as well as 'taking charge' behaviors were examined. Working adults were randomly assigned to vignettes describing breaches of varying severity, ranging from low breach to severe breach. Some predicted relationships were found to be significant, while others were not. Results suggest that both relational contracts and severity of breach were significant predictors of feelings of breach. It was also found that as LMX scores increased (indicating a better dyadic relationship between employer and an individual employee), participants were more likely to have relational contracts. In addition, it was shown that participants who experienced a more severe contract breach decreased their 'taking charge' behavior.

## Reactions to psychological contract breaches: An experimental manipulation of severity

Much research has already been done on psychological contracts in the extant literature. Previous studies have shown that there are two main types of psychological contracts (relational and transactional) and that employees often react negatively to breaches in their contracts. But, one aspect of psychological contracts that seems to be understudied is the issue of how severe a psychological contract breach must be for an employee to respond adversely (i.e., change behaviors in ways that do not help the organization for which he or she works). Of special interest in this paper is how employees view their psychological contracts, LMX relations with their employers, and change their taking charge behaviors after they experience breaches varying in degrees of severity.

*Psychological Contracts*

Psychological contracts refer to the unwritten commitments between an employee and the organization with which he or she is employed. These commitments are not included in an employee's written contract with the organization, but rather are the product of an individual's perceptions about the reciprocal relationship between himself or herself and the employing organization (Rousseau & Tijoriwala, 1998). Psychological contracts refer to the behaviors that an individual perceives his or her organization will take towards him or her in the future (Montes & Zweig, 2009). Psychological contracts are conceptualized as an individual difference variable in that an individual can be placed along a continuum. Relational contracts are located at one end of the continuum while transactional contracts located at the other end of the continuum.

Relational contracts represent a close relationship between employee and employer and often are associated with employees reporting feelings of attachment to their organization (Grimmer & Oddy, 2007). Past research has demonstrated that employees who perceive that they have a relational contract also report receiving additional benefits such as promotion opportunities and more training experiences (Grimmer & Oddy, 2007). In turn, individuals who hold relational contracts also tend to report engaging in other behaviors that aid the organization for which they work, such as finishing projects on time (Henderson, Wayne, Shore, Bommer, & Tetrick, 2008). Their “other behaviors” are often referred to as organizational citizenship behaviors (OCBs).

Transactional contracts typify a more distant relationship between employee and employer where there is little involvement between employee and supervisor with each other (Grimmer & Oddy, 2007). In transactional contracts, employees usually receive their wages by an organization in return for the completion of specific job tasks.

In comparing relational and transactional constructs, relational contracts are generally characterized as being more subjective (that is, relational contracts involve more of an employee’s perception about the exchange relationship) and evolving throughout time. Alternatively, transactional contracts are described as being more fixed and unchanging (Grimmer & Oddy, 2007). In transactional contracts, what is due to an employee by an employer and what is expected of an employee by an employer are explained more in a written contract than through employees’ perceptions. This contract is created when an employee begins to work for his or her employer. The terms of these contracts are not as affected by any changes that may occur in an employee/employer relationship, like the terms would be if an employee possessed a relational contract.

Relational contracts also usually take more time to develop than transactional contracts (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008). This is because of the fact that exchanges between parties that are involved in relational contracts evolve over time (Dulac et al., 2008)

Fulfillment of a psychological contract describes the extent to which an individual deems that the perceived commitments made to him or her by his or her organization have been rendered (Henderson et al., 2008). Fulfillment of the psychological contract implies that the employee is valued and that the organization will continue fulfilling its promises. When an individual perceives that his/her psychological contract has been fulfilled, this can result in feelings of attachment or in the employee viewing his/her organization as being more trustworthy (Restubog, Hornsey, Bordia, Esposito, 2008; Grimmer & Oddy, 2007).

Conversely, employees may feel that they have not received the benefits from their organization that they expected to receive. Put another way, a *psychological contract breach* can occur if an employee perceives a disconnect between expectations and what he or she feels his or her organization has actually delivered. Formally defined, a psychological contract breach occurs when an employee perceives that the organization for which he or she works has insufficiently delivered benefits that he or she expected to receive (Restubog et al, 2008).

Several recent studies have sought to examine the differential effects of breaches on either relational versus transactional psychological contracts (Montes & Irving, 2008; Chen, Tsui, & Zhong, 2008; Coyle-Shapiro & Conway, 2005; Dulac et al, 2008; Bunderson, 2001; Grimmer & Oddy, 2007). Subsequent results of perceived breaches

include dissatisfaction, lowered trust, anger, diminished in-role and extra-role performance, and turnover intention (Kiewitz, Restubog, Zagencyzk, & Hochwarter, 2009).

Along with generating feelings of job dissatisfaction and increased turnover intention, psychological contract breach may cause employees to think that their organization does not care about or value them (Coyle-Shapiro & Conway, 2005). Feelings of being undervalued can be especially strong when an employee perceives the breach to be the organization renegeing on its promises, rather than the result of outside influences, which cannot be attributed to the organization (Coyle-Shapiro & Conway, 2005). This is because renegeing is seen as an intentional failure to fulfill commitments to an employee when these commitments are openly recognized by an organization (Robinson & Morrison, 2000).

Robinson (1996) found that employees with high levels of trust in their employers were less likely to perceive that a breach had occurred than employees with low levels of trust in their employers. Robinson attributes this finding to the fact that people often overlook information and events that do not verify their opinions of others, while actively looking for information that does support their opinions of others. For example, if an employee has a high level of trust in his or her employer, he or she will be less likely to perceive a certain action by his or her employer as a contract breach than another employee who does not trust the employer very much. As such, it can be argued that since relational contracts involve a greater level of trust than transactional contracts, employees with relational contracts will be less likely to perceive a contract breach as having taken place than employees with transactional contracts (Robinson, 1996).

Trust is a major component of relational contracts because of the lack of certainty associated with the outcomes of these contracts, such as promotions or greater availability of supervisors (Montes & Irving, 2008). Transactional contracts are not as dependent on trust because the major outcomes for these contracts, such as money, are more concrete (Montes & Irving, 2008). Although relational contracts also include outcomes associated with money, these types of outcomes are not the major focus of these contracts, unlike in transactional contracts. Because trust is a larger component of relational contracts than transactional contracts, it has also been suggested that when breaches occur employees who have relational contracts will be more negatively affected than employees in transactional contracts (Montes & Irving, 2008).

It has been demonstrated in previous research (Montes & Irving, 2008; Restubog et al., 2008) that employees with relational contracts are more likely to react negatively after experiencing a contract breach than other employees. For example, Grimmer and Oddy (2008) found that employees with relational contracts were more influenced by an organization's failure to deliver perceived commitments than were employees with transactional contracts.

Thus, based on previous research, one of the purposes of the current paper is to provide additional insights into how employees with relational and transactional contracts differ in response to contract breaches. To this end, I will examine how psychological contract type and severity of breach interact to produce the most negative feelings (e.g. lowered trust and employee satisfaction) among employees. It is thought that the more severe a breach is, the more likely an employee is to have decreased levels of trust and employee satisfaction. Moreover, it is hypothesized that severe relational contract



breaches will result in more negative feelings as compared to severe transactional breaches. This is because of the fact that trust has been found to be a major component of relational contracts (Montes & Irving, 2008). Because of this, it is thought that a breach of relational contracts will result in damaging the trust that has been built since an employee first formed a relational contract. This damaged trust can then lead to an employee wondering if his or her employer will continue to deliver the benefits he or she has come to expect.

*Hypothesis 1: Severity of psychological contract breach will moderate the relationship between type of psychological contract and feelings of breach.*

#### *Leader-Member Exchange*

Leader-member exchange (LMX) theory refers to the different dyadic relationships that form between individual employees and their employers (Liden, Wayne, & Stilwell, 1993; Tordera, González-Romá, & Peiró, 2008). LMX relationships range along a continuum, in which ‘in group’ employees are offered benefits, such as greater availability of their supervisor, emotional support, and constructive feedback, while ‘out-group’ employees are not offered the same advantages (Brouer & Harris, 2007; Liden et al., 1993; Tordera et al., 2008). It has been shown that both an employer and employee can form expectations of what their relationship will be like within five days of first working together (Liden et al., 1993). These LMX relations are thought to form through a process in which employers convey their expectations to employees with certain job tasks.

If employees complete these tasks and complete them well, they are then rewarded with benefits, such as more autonomy and supervisor support (Greguras &

Ford, 2006; Brouer & Harris, 2007). LMX relationships are important because they may serve as the main channel through which an organization is able to deliver rewards to the employees (Henderson et al, 2008). Employees in high LMX relationships who perceive that they are being treated well by their organization often feel like they need to reciprocate with behaviors that benefit the organization, such as completing supervisors' requests (Henderson et al, 2008; Liden et al., 1993). Employers and employees may also benefit from being in good LMX relationships for other reasons, which will be stated in the next section.

#### *LMX and the Effects of Breaches*

Besides resulting in advantages such as increased trust and support, a high LMX relationship between a supervisor and employee may also result in other benefits connected to psychological contracts; as suggested by Henderson et al. (2008), a positive LMX relationship may result in an employee perceiving greater psychological contract fulfillment (Henderson et al, 2008). Individuals evaluate the benefits given to other employees who are in similar LMX relationships as themselves, as well as employees who are in different LMX groups, and how the benefits given to their peers compare to the benefits the individuals receive themselves. Employees who are in higher level LMX relationships often receive more advantages from their supervisors because the supervisors wish to create a system of reciprocation (Henderson et al, 2008). In order to reciprocate, employees who are in high LMX relationships might work harder and display more organizational citizenship behaviors (Henderson et al, 2008).

Restubog, Bordia, Krebs, and Tang (2005) examined how the degree of LMX relationship would moderate the relationship between psychological contract breach and

employee performance. As Restubog et al. discuss, LMX should weaken the impact of contract breaches because of the trust that is inherent in high LMX relationships. Put another way, the 'in group' employees have the trust and support of their supervisors to help them deal with contract breaches that their 'out-group' colleagues do not have. However, Restubog et al. also describe an opposite process that could happen once a contract breach has occurred. Since LMX relationships higher on the continuum involve trust and support, an apparent contract breach could cause employees to feel like they have been betrayed (Restubog et al., 2005).

This viewpoint is supported by the expectancy-violation hypothesis, which describes how people are likely to become angry and bitter when they encounter evidence that contradicts their prior perceptions of how they expect to be treated by a certain person or persons (Restubog et al., 2005). Restubog et al. also suggested that employees who did perceive severe contract breaches are most likely to have a low LMX relationship with their employer. They found that LMX served as a mediator between contract breach and employee performance, with less severe breaches causing employees to regard their relationship with the organization as being good, which then led to positive organizational behaviors by the employees.

Dulac et al. (2008) found that employees who were in high LMX relationships and who experienced a contract breach had low negative emotions in response to the breach. The researchers also suggest, however, that employees who are in relational contracts and who experience a breach might have greater feelings of violation than employees in transactional relationships (Dulac et al., 2008). This is because of the perceived disparity between what they should receive and what they have received. This

is consistent with arguments made by Restubog et al. (2005). For example, an employee with a relational contract who expects a certain benefit (e.g. promotion), but who does not receive what he or she expected might experience feelings of violation or perceive a contract breach as having occurred.

Based on research by Restubog et al. (2005) and Dulac et al. (2008), it is expected that individuals who were previously in high LMX relationships (that is, people who receive benefits from their supervisors), and who experience a severe relational contract breach will reassess their relationship as being lower than it was before the breach occurred. Individuals who are in low LMX relationships with their employers and experience a severe transactional contract breach are also expected to reassess their relationship as lower than it was before the breach. However, the individuals who are in low LMX relationships are not expected to have as large a drop in perceived LMX relationship after a breach has occurred as individuals in high LMX relationships. Implicit here is the assumption that employees who are in high LMX relationships have relational contracts, while employees in low LMX relationships have transactional contracts; this assumption will also be formally tested.

*Hypothesis 2a: LMX is positively related to relational contracts.*

*Hypothesis 2b: Initial LMX will interact with psychological contract type and severity of psychological contract breach to affect feelings of post LMX such that individuals with high LMX and relational contracts will be the most negatively affected when reporting post LMX perceptions.*

*Proactive Behaviors*

Proactive behavior has been defined in a variety of ways in the extant literature. The general theme among the different definitions is that all proactive behaviors involve employees actively engaging in situations at work (Crant, 2000). For example, entrepreneurship is defined as instances in which individuals actively pursue opportunities to improve their company and increase their sales (Crant, 2000). Proactive socialization is another example of what may be defined as proactive behavior, and occurs when individuals actively acquire feedback about their performance while at a new job (Crant, 2000; Thompson, 2005). Organizational citizenship behaviors, such as coming to work on time consistently and not taking extra long lunch breaks, can also be conceptualized as proactive behaviors because they describe active processes that employees take to help the organization for which they work (Crant, 2000).

In the present study, proactive behaviors are defined in terms of an employee's willingness to try to improve current situations or problems within an organization so the organization will be better able to function effectively (Crant, 2000). This behavior exhibited by an employee can be referred to as an employee's attempts to 'take charge' (Crant, 2000; Morrison & Phelps, 1999). This definition of proactive behavior was chosen because of how important 'taking charge' behaviors are to improving efficiency within companies, solving organizational problems, and continuing organizational growth (Crant, 2000; Morrison & Phelps, 1999).

'Taking charge' behaviors are similar to other proactive behaviors in that both 'taking charge' and other behaviors are initiated by the employees themselves (Morrison & Phelps, 1999). For example, a new employee within an organization demonstrates

proactive behaviors when he or she actively seeks feedback about organizational policies (Crant, 2000). An employee exhibits 'taking charge' behavior when he or she tries to fix aspects of their organization that he or she sees as troubling. 'Taking charge' behaviors, however, differentiate themselves from other behaviors by the fact that they are explicitly focused on improving an organization. Many researchers have examined 'taking charge' behaviors in the extant literature (Thompson, 2005; Chan, 2006; Crant, 2000), thus it is necessary to first understand the background of this type of proactive behavior before examining it in the present study.

#### *Antecedents of Proactive Behavior*

The 'taking charge' process is described as a conscious decision in which individuals actively decide whether their efforts will result in success or not; the risks of a failed attempt to 'take charge' could result in ostracism or disapproval (Morrison & Phelps, 1999; Grant, Parker, & Collins, 2009). Individuals are most likely to 'take charge' in situations that they deem as the most successful (Morrison & Phelps, 1999). That is, individuals want to make sure that there is a very high probability of their efforts being effective. A contextual factor that may influence an employee's chance at successfully 'taking charge' is the openness of their supervisor. That is, an employee must question how his or her supervisor will respond to his or her attempts at change within the organization (Morrison & Phelps, 1999). For example, employees are less likely to engage in proactive behaviors if their supervisors do not reward proactive behavior (Grant et al, 2009). Morrison and Phelps also found that employees were more willing to engage in constructive efforts at change within an organization if their supervisors were open to change created by employees.

*Proactive Behavior, LMX, and Psychological Contracts*

Proactive behavior has also been linked to LMX quality. Campbell (2000) suggested that employees who were in high LMX relationships with their supervisors were also likely to exhibit proactive behaviors. Campbell (2000) described how supervisors came to form the best LMX relationships with those employees who engaged in behaviors outside of their formal job tasks. These proactive behaviors by employees then helped supervisors to better perform their respective jobs (Campbell, 2000).

Related to this, when psychological contract breach occurs, it has been shown that employees' organizational citizenship behaviors (OCBs) are negatively affected (Montes & Zweig, 2009). Deery, Iverson, and Walsh (2006) found that perceived breach of psychological contract resulted in less cooperation of employees as well as increased absenteeism. It has also been shown that contract breach, along with low interactional justice, can result in anticitizenship behaviors from employees (Kickul, Neuman, Parker, & Finkl, 2001). Employees attempt to create a more equal exchange of favors once they perceive a breach by discontinuing their behaviors that helped the organization for which they worked, and instead begin to engage in behavior that is detrimental to the organization (Kickul et al., 2001). Anticitizenship behaviors include such acts as avoiding work duties or being rude to colleagues and employers (Kickul et al., 2001). Restubog et al. (2008) also suggested that contract breaches have a detrimental effect on organizational citizenship behaviors for the same reasons that Kickul et al., (2001) stated. The breach violates the exchange relationship between an employer and employee, causing employees to change their inputs to match the benefits they receive from their employer.

The present study will investigate how employees' 'taking charge' behaviors are affected by a perceived contract breach. Although previous studies have not specifically examined the relationship between breach and 'taking charge' behaviors, it is thought that employees will react the same way to breach by changing their willingness to 'take charge' as they do with other OCBs and proactive behaviors. Thus, it is hypothesized that if only a moderate to low breach occurs, employees will change their 'taking charge' behaviors slightly. But, if a severe breach occurs, employees' will no longer engage in any 'taking charge' behaviors at all to help their organization (if they do not engage in harmful behaviors at all).

*Hypothesis 3a: Individuals who experience a more severe contract breach will lessen their attempts at 'taking charge' behaviors within their job or organization.*

*Hypothesis 3b: Initial LMX will interact with severity of psychological contract breach such that those individuals with higher initial LMX scores will be more negatively affected in terms of post 'taking charge' behaviors.*

## **Method**

### **Participants**

There were a total of 207 participants in the study. Of those participants, 59 were male and 145 were female (three participants omitted the gender question). The participants ranged in age from 18 to 84 ( $M=35.42$ ,  $SD=13.04$ ). The number of hours worked ranged from 20-85 hours per week ( $M=39.86$ ,  $SD=10.85$ ). The three most common occupations among the participants were professional and related occupations



(31.4%), office and administrative support (15.9%), and management/business/financial support (15.5%).

### **Procedure**

Students enrolled in psychology classes at Louisiana State University were asked to assist in inviting working people who met the eligibility requirements (at least 18 years of age and working at least 15 hours a week) to complete the survey. Students who agreed to invite possible participants were emailed a template, from which they copied and pasted information to use when recruiting people. Students were also asked to provide an identifying code that participants were instructed to enter at the beginning of the survey. This was done so that I could keep track of how many participants completed the survey per student. Students were offered extra credit in their psychology class for recruiting five people.

When participants received an email detailing the study, they were provided with a direct link to the survey. When they began the survey, they were told that the survey would take about 15 minutes to complete, and that participation was voluntary. At the beginning of the actual survey, participants were directed to complete four measures pertaining to 'taking charge' behaviors, LMX relationships, perceived contract breach, and psychological contracts. After the participants finished this first set of measures, they were taken to a page of the survey that asked what month they were born in.

Participants who were born in January, February, or March were assigned to the vignette with no breach. Participants born in April, May, or June were assigned to the vignette with low level of breach. Participants born in July, August, or September were

assigned to the vignette with the moderate level of breach, and participants born in October, November, or December were assigned to the vignette with the severe level of breach.

Before reading the vignettes, the participants were instructed to imagine themselves in the stories described by the vignettes two years in the future. After reading the vignettes, the participants answered the same four measures that they completed before reading the vignettes. The participants were instructed again to imagine themselves two years in the future and in the situation described by the vignette.

Demographic questions were located at the end of the survey. Participants were asked to fill out these questions so that descriptive data could be obtained.

### **Materials and Stimuli**

Four vignettes have been developed for the purpose of this study. Each vignette has been designed to correspond to a different level of psychological contract breach (i.e., low, moderate, high, severe). The four vignettes are included as part of the Appendix.

Four different measures will accompany the use of the vignettes (LMX, psychological contract, perceived breach of psychological contract, and ‘taking charge’).

*‘Taking charge’ behavior.* The ‘taking charge’ measure was taken from Morrison and Phelps (1999). The measure consists of 10 questions answered on a 5-point scale, with 1 corresponding to ‘disagree’ and 5 corresponding to ‘agree.’ Items for the measure may be found in the appendix.

*Leader-member exchange (LMX).* The LMX measure was taken from Bernerth, Armenakis, Feild, Giles, Walker (2007), and consists of eight questions. The response scale ranged from 1-7, with 1=strongly disagree, 2= disagree, 3=slightly disagree,

4=neutral, 5=slightly agree, 6=agree, 7=strongly agree. Items for the measure may be found in the appendix.

*Psychological contract.* The psychological contract measure was from Grimmer and Oddy (2007). Seventeen questions were answered using a 7-point scale, with 1 being equal to ‘strongly disagree’ and 7 being equal to ‘strongly agree.’ Questions number 3, 5, 8, 10, 13, 16, and 17 measured for degree of relational contract, while questions number 1, 2, 4, 6, 7, 11, 12, 14, and 15 were included to measure degree of transactional contract. Items for the measure may be found in the appendix.

*Psychological contract breach.* The perceived psychological contract breach measure was taken from Robinson and Morrison (2000). There were nine questions, and each was rated on a scale from 1-5, with 1 corresponding to ‘strongly disagree’ and 5 corresponding to ‘strongly agree.’ Items for the measure may be found in the appendix.

The measures will be filled out for the first time before the participants read the vignettes. This will be done to get baseline data of how the participants felt about their current jobs before they read the vignettes and imagined themselves experiencing a breach in psychological contract. After reading the vignettes, the participants were instructed to complete the measures for a second time. This was done in order to investigate how the vignettes affected the participants answers.

## **Results**

Below we provide preliminary analysis of available data. Additional data analysis is planned following extra data collection.

Table 1 reports correlations among the measured variables. It was found that several significant relationships emerged among the variables; for example, LMX and

relational contracts had a significant correlation ( $r=.59, p < .01$ ), and LMX and feelings of breach were also significantly correlated ( $r= -.53, p < .01$ ).

Moderated multiple regression was used to test Hypothesis 1, which predicted that severity of psychological contract breach would moderate the relationship between type of psychological contract and feelings of breach. Severity of psychological contract was manipulated in terms of the vignette participants received. As such, this variable was coded from one to four where one represented the low manipulation condition and four represented the severe manipulation condition. Two product terms were then created, one to represent the interaction between severity and relational psychological contracts, and second for the interaction between severity and transactional contracts. In turn, perceptions of psychological contract breach (assessed post manipulation) was regressed onto the severity variable, the two types of psychological contract variables (both of which were mean centered), and the two interaction terms.

The overall model was significant ( $F(5,201) = 10.95, p < .05$ ) in predicting feelings of breach. Two predictors were significant, severity of breach ( $\beta = .42, p < .05$ ), and relational contract ( $\beta = -.33, p < .05$ ). All other predictors were non-significant. Given neither of the interaction terms were significant, Hypothesis 1 was not supported.

In support of Hypothesis 2a, as reported in Table 1, LMX was positively related to relational contracts ( $r = .59, p < .01$ ). As such, participants indicating a better LMX relationship with their employer were also more likely to report holding a relational contract with their employer.

Moderated multiple regression analysis was also used to test Hypothesis 2b, which predicted that initial LMX would interact with psychological contract type and

severity of psychological contract breach to affect feelings of post LMX such that individuals with high LMX and relational contracts will be the most negatively affected when reporting post LMX perceptions. As with Hypothesis 1, the new variables created (to represent interactions) were used in the analysis.

The overall model was significant [ $F(6, 200) = 10.75, p < .01$ ]. However, only LMX ( $\beta = .24, p < .01$ ) and the severity of the breach ( $\beta = -.41, p < .05$ ) were significant factors in predicting post LMX perceptions. Thus, Hypothesis 2 was only partially supported.

An analysis of covariance (ANCOVA) was used to analyze Hypothesis 3a, which predicted that individuals who experience a more severe contract breach would lessen their attempts at ‘taking charge’ behaviors within their job or organization. It was found that the overall model was significant [ $F(4, 202) = 19.98, p < .01$ ]. More specifically, even after controlling for initial ‘taking charge’ behaviors ( $F(1, 207) = 60.16, p < .01$ ), the main effect of severity of breach ( $F(3, 203) = 6.09, p < .01$ ) was significant in determining the level of ‘taking charge’ behaviors after a breach had occurred. The effect of severity of breach on post ‘taking charge’ behaviors is demonstrated by comparing the means of post ‘taking charge’ behaviors for participants in the low breach severity group ( $M = 4.95$ ) to the mean of participants in the high breach severity group ( $M = 3.77$ ). The significant difference between these means indicates that severity of breach affected ‘taking charge’ behaviors after perceived breach.

Another regression was conducted to test Hypothesis 3b, which predicted that initial LMX would interact with severity of psychological contract breach such that those individuals with higher initial LMX scores would be more negatively affected in terms of

post ‘taking charge’ behaviors. The overall regression equation was significant ( $F(4, 202) = 20.38, p < .01$ ). The severity of breach ( $\beta = -.25, p < .01$ ) and ‘taking charge’ behaviors (before breach) ( $\beta = .45, p < .01$ ) predicted post ‘taking charge’ behaviors. Neither LMX nor the interaction between LMX and severity of breach significantly predicted post ‘taking charge’ behaviors. Thus, although severity of breach and ‘taking charge’ behaviors before breach had main effects on ‘taking charge’ behaviors after breach, there was no main effect of LMX nor was there was an interaction between LMX and severity of breach on post ‘taking charge’ behaviors. Because of this, Hypothesis 3b was only partially supported.

### **Discussion**

The primary purpose of this study was to explore how employees react to perceived psychological contract breaches, which varied in the severity of breach. The first hypothesis of the present study was not supported because of the lack of a relationship between transactional contracts and feelings of breach. The severity of breach did not moderate the relationship between transactional contracts and perceived breach.

It was also determined that as employees’ LMX relationships with their employers improved (before a perceived breach), the likelihood that they would also possess relational contracts (before a perceived breach) increased. Because of this finding, employers can expect employees with whom they have good relationships with (LMX) to also expect more than simply monetary relationship from the employers (relational contracts). The lack of a relationship between LMX and transactional contracts is interesting and could possibly be attributed to the fact that transactional contracts involve very little beyond a basic employee-employer relationship.

Based on available data, it appears that there is no interaction between LMX and type of psychological contract to affect LMX perceptions after breach. Only LMX and severity of breach had an effect on post LMX. This means that regardless of what type of contract an employee has, only his or her LMX relationship with his or her employer and the severity of the perceived breach affect the employee's LMX perceptions after the breach has occurred. This finding is contrary to what was reported by Dulac et al (2008); that is, not all employees who had good LMX relationships with their employers had lower negative responses to the breach.

The severity of breach that an employee experiences had a direct effect on his/her likelihood to engage in 'taking charge' behaviors after the breach occurs. The willingness of an employee to engage in 'taking charge' behaviors before a breach occurs also has an effect on his or her 'taking charge' behaviors after a breach. Employers can expect employees who previously attempted to improve various aspects of the workplace to no longer exhibit these behaviors after they perceive a more severe contract breach as having taken place.

LMX seems to have no effect on 'taking charge' behaviors after breach. It was found that LMX did not interact with severity of breach to affect post 'taking charge' behaviors. Rather, employees' willingness to engage in 'taking charge' behaviors after a breach has occurred is a function of the severity of the perceived breach and how much employees engaged in 'taking charge' behaviors before the perceived breach. This finding is similar to what Montes and Zewig (2009) discovered about organizational citizenship behaviors (OCBs); that is, they found that contract breaches negatively affected employees' OCBs.

The lack of significant findings in the present study can be mainly attributed to the small sample sizes (there were only about 50 participants in each of the four experimental conditions). More participants could increase the effect size, and allow more significant results to be reached.

Although not all of the predicted relationships presented in the current paper proved true, it was shown that severity of perceived contract breach does affect employees' perceptions and behavior. The results of the current paper should help employers to understand the importance of not only building, but also maintaining, relationships with their employees, as well as how an infraction upon psychological contracts will affect their future relationships with employees.



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## Appendix

### Vignettes

*Instructions:* Please read the following scenario carefully. Try to imagine yourself in the situation that is described in the story. Also, keep in mind that you are still working for your current employer, but now it is two years in the future.

#### *No Contract Breach*

It is now two years in the future – *you are still with your current employer*. Over the past two years, you have noticed that your supervisor has intentionally worked to treat everyone that he/she supervises equally. However, he/she has occasionally invited other employees to lunch, but never you. Over the past two years, in line with what you expected, you have had several training opportunities that have really enhanced your skills and knowledge, and your supervisor has talked about sending you to another important training session in the near future. Finally, although you are still under the same supervisor, you have been promoted twice, and your job security appears to be very strong.

#### *Low Contract Breach*

It is now two years in the future – *you are still with your current employer*. Over the past two years though, you have noticed that your supervisor has spent slightly more time helping other employees with their problems than you. But, you have had one or two training opportunities that have really helped to enhance your skills and knowledge; you had planned to participate in at least two others, but your supervisor said they weren't that important and didn't let you go. However, your supervisor has seemed interested in sending you to an important training session in the near future. Finally, although you are still under the same supervisor, you have been promoted once over the past two years, and your job security appears strong.

#### *Moderate Contract Breach*

It is now two years in the future – *you are still with your current employer*. Over the past two years though, you have noticed that your supervisor spends considerable amounts of time helping other employees with their problems, but seldom helps you in the same way. You have had only one training opportunity to help enhance your skills and knowledge, when you had expected to have at least three or four such opportunities; your supervisor just hasn't seemed interested in sending you to the different training session. And although you thought you would have received at least one, if not two promotions, you have not received any over the past two years. Finally, your supervisor has also told you that the organization would begin laying off employees in the next month, and that your position was one of seven under consideration, and didn't explain why.

#### *Severe Contract Breach*

It is now two years in the future – *you are still with your current employer*. Over the past two years though, you have noticed that your supervisor spends considerable amounts of time helping other employees with their problems, but never you. You have had no training opportunities so far, although you had expected to have at least four or five over

the past two years. You actually feel like your supervisor is actively trying to prevent you from going to the available training opportunities. Next, although you thought you would receive at least two or three, you have not received any promotions, and a few months ago your supervisor said he/she thought it was likely going to be a very long time until you would receive a promotion. Finally, over the past two months, your supervisor has fired several of your coworkers for no apparent reason. Yesterday, your supervisor informed you that it was very likely that you and two other employees would be let go within the month, with no explanation given as to why.

### Scales

#### *'Taking charge' behavior*

Morrison, E., & Phelps, C. (1999). Taking charge at work: extrarole efforts to initiate workplace change. *Academy of Management Journal*, 42(4), 403-419.

*Directions (before vignettes):* Please read the following questions carefully and answer to the best of your ability.

*Directions (after vignettes):* Please read the following questions and answer to the best of your ability. While answering, remember to imagine yourself in the situation described in the scenario you read.

Response scale: 5 point scale; 1= strongly disagree, 5=strongly agree

- 
- 1) I often try to adopt improved procedures for doing my job.
  - 2) I often try to change how my job is executed in order to be more effective.
  - 3) I often try to bring about improved procedures for the work unit or department.
  - 4) I often try to institute new work methods that are more effective for the company.
  - 5) I often try to change organizational rules or policies that are nonproductive or counterproductive.
  - 6) I often make constructive suggestions for improving how things operate within the organization.
  - 7) I often try to correct a faulty procedure or practice.
  - 8) I often try to eliminate redundant or unnecessary procedures.
  - 9) I often try to implement solutions to pressing organizational problems.
  - 10) I often try to introduce new structures, technologies, or approaches to improve efficiency
- 

#### *Leader-member exchange (LMX)*

Bernerth, J., Armenakis, A., Feild, H., Giles, W., & Walker, H. (2007). Leader-member social exchange (LMSX): Development and validation of a scale. *Journal of Organizational Behavior*, 28(8), 979-1003

*Directions (before vignettes):* Please read the following questions carefully and answer to the best of your ability.

*Directions (after vignettes):* Please read the following questions and answer to the best of

your ability. While answering, remember to imagine yourself in the situation described in the scenario you read.

Response scale: 1=strongly disagree, 2= disagree, 3=slightly disagree, 4=neutral, 5=slightly agree, 6=agree, 7=strongly agree

- 
- 1) My manager and I have a two-way exchange relationship.
  - 2) I do not have to specify the exact conditions to know my manager will return a favor.
  - 3) If I do something for my manager, he or she will eventually repay me.
  - 4) I have a balance of inputs and outputs with my manager.
  - 5) My efforts are reciprocated by my manager.
  - 6) My relationship with my manager is composed of comparable exchanges of giving and taking.
  - 7) When I give effort at work, my manager will return it.
  - 8) Voluntary actions on my part will be returned in some way by my manager.
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*Psychological contract*

Grimmer, M., & Oddy, M. (2007). Violation of the psychological contract: the mediating effect of relational versus transactional beliefs. *Australian Journal of Management*, 32(1), 153-174

*Directions (before vignettes)*: Please read the following questions carefully and answer to the best of your ability.

*Directions (after vignettes)*: Please read the following questions and answer to the best of your ability. While answering, remember to imagine yourself in the situation described in the scenario you read.

Response scale: 7 pt scale; 1=strongly disagree, 7= strongly agree; Relational items: 3, 5, 8, 10, 13, 16 and 17. Transactional items: 1, 2, 4, 6, 7, 9, 11, 12, 14 and 15.

- 
1. I do this job just for the money.
  2. I prefer to work a strictly defined set of working hours.
  3. I expect to gain promotion in this company with length of service and effort to achieve goals.
  4. It is important not to get too involved in your job.
  5. I expect to grow in this organization.
  6. I expect to be paid for any overtime I do.
  7. I come to work purely to get the job done.
  8. I feel part of a team in this organization.
  9. My loyalty to the organization is defined by the terms of my contract.
  10. I feel this company reciprocates the effort put in by its employees.
  11. I only do what is necessary to get the job done.
  12. I am motivated to contribute 100% to this company in return for future employment benefits.
  13. I have a reasonable chance of promotion if I work hard.
  14. My career path in the organization is clearly mapped out.

15. I work to achieve the purely short term goals of my job.
  16. I will work for this company indefinitely.
  17. I am heavily involved in my place of work.
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*Psychological contract breach*

Robinson, S., & Morrison, E. (2000). The development of psychological contract breach and violation: a longitudinal study. *Journal of Organizational Behavior*, 21(5), 525-546.

*Directions (before vignettes):* Please read the following questions carefully and answer to the best of your ability.

*Directions (after vignettes):* Please read the following questions and answer to the best of your ability. While answering, remember to imagine yourself in the situation described in the scenario you read.

Response scale: 1-5 scale; 1=strongly disagree, 5=strongly agree

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- 1) Almost all of the promises made by my employer during recruitment have been met so far. (reversed)
  - 2) I feel that my employer has come through in fulfilling the promises made to me when I was hired. (reversed)
  - 3) So far my employer has done an excellent job of fulfilling its promises to me. (reversed)
  - 4) I have not received everything promised to me in exchange for my contributions.
  - 5) My employer has broken many of its promises to me even though I've upheld my side of the deal.
  - 6) I feel a great deal of anger towards my organization.
  - 7) I feel betrayed by my organization.
  - 8) I feel that my organization has violated the contract between us.
  - 9) I feel extremely frustrated by how I have been treated by my organization.
- 

## **Description of Study**

### Opportunity for Extra Credit

- This study concerns the relationship between psychological contracts, leader-member exchange theory, and 'taking charge' behaviors.
- If you decide to participate, you must create a list of WORKING ADULTS (people who are over the age of 18 and who work at least 15 hours a week) that you know to send email invitations to. The working adults could be your friends, relatives, coworkers, etc, but they should be people that you know relatively well. Each working adult will need an email address.
- Once you decide to participate, email a PERSONAL CODE to Theresa Atkinson





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Louisiana State University  
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Dr. Russell Matthews  
Department of Psychology  
Louisiana State University  
[matthews@lsu.edu](mailto:matthews@lsu.edu)

Any questions about your participant rights may be directed to Robert C. Mathews,  
Institutional Review Board (IRB), at 225-578-8692.

Thank you for taking part in this study!

Theresa Atkinson

Table 1  
*Correlations for measured variables*

Variable	1	2	3	4	5	6	7	8	9	10
1. Transactional Contract										
2. Relational Contract	.03									
3. Break	.13	-.53**								
4. LMX	.00	.59**	-.53**							
5. Taking Charge	-.14*	.42**	-.23**	.24**						
6. Severity of Breach	-.01	-.04	-.08	.05	-.02					
7. Post Transactional Contract	.61	.03	.11	.07	-.03	-.02				
8. Post Relational Contract	-.04	.23**	-.01	.15*	.18**	-.49**	.00			
9. Post Break	.10	-.11	.21**	-.10	-.10	.42**	.09	-.61**		
10. Post LMX	-.07	.22**	-.08	.26**	.11	-.40**	-.07	.77**	-.71**	
11. Post Taking Charge	-.14*	.19**	.00	.10	.47**	-.26**	-.13	.62**	-.42**	.50**

\* $p < .05$  (2 tailed), \*\* $p < .01$  (2 tailed)