Reactions to psychological contract breach: a dual perspective

ZHEN XIONG CHEN1, ANNE S. TSUI2,3 AND LIFENG ZHONG4*

1School of Management, Marketing & International Business, ANU College of Business and Economics, The Australian National University, Canberra, Australia
2Arizona State University, U.S.A.
3Peking University, Beijing, China
4Renmin University of China, Beijing, P. R. China

Summary

This study examined reactions to psychological contract breach from two separate perspectives, that is, employee’s reactions to perceptions of employer breach and supervisor’s reactions to perceptions of employee breach of the psychological contract. In addition to the main effects, we also hypothesized that the benevolence (or kindness) of the supervisor and the traditional values (or respect for authority) of the employee would attenuate the negative effects of psychological contract breach. We tested these hypotheses with a sample of 273 supervisor-subordinate dyads from the People’s Republic of China. The results showed that employer breach correlated negatively with employee outcomes of organizational commitment (OC), organizational citizenship behavior (OCB), and work performance, but this negative relationship was weaker for employees with traditional values. The results also demonstrated that employee breach correlated negatively with responses from the supervisor, in terms of the mentoring provided to the employee and the leader-member exchange (LMX) quality. However, more benevolent supervisors reacted less negatively in terms of the mentoring than did the less benevolent supervisors. Implications for future research are offered. Copyright © 2007 John Wiley & Sons, Ltd.

Introduction

Since the 1980s, the increasingly competitive environment and rapid technological developments have engendered much organizational restructuring, resulting in changes in employment relationships among employees at all levels (Shore et al., 2004; Tsui & Wang, 2002). The changes have stimulated much scholarly interest, particularly in the study of employees’ responses to different types of employment relationships (Tsui, Pearce, Porter, & Tripoli, 1997) and psychological contracts (Shore & Barksdale, 1998).

A psychological contract is defined as the mutual expectations held by employees and their employers regarding the terms and conditions of the exchange relationship (Kotter, 1973; Rousseau & Tijoriwala, 1998). A psychological contract between two parties in an employment setting creates an
enduring mental model of the employment relationship, which provides a stable understanding of what to expect from each other and guides efficient actions by both parties (Rousseau, 2004). In the studies of the psychological contract, there is a large body of literature addressing psychological contract breach, which arises when one party in an exchange relationship perceives the other party to have failed to fulfill promised obligations (e.g., Morrison & Robinson, 1997; Robinson & Rousseau, 1994). In general, research has focused on psychological contract breach as perceived by the employee. Their perceptions of the breach lead to reduction in the employees’ commitment to the organization, their willingness to engage in organizational citizenship behavior (OCB), their job performance, and their job satisfaction, and it also increases the intent to leave the organization and actual turnover (Bunderson, 2001; Conway & Briner, 2002; Coyle-Shapiro, 2002; Edwards, Rust, McKinley, & Moon, 2003; Hui, Lee, & Rousseau, 2004a; Kickul, Lester, & Belgio, 2004; Raja, Johns, & Ntalianis, 2004). Curiously, psychological contract breach (by employee) from the employer’s perspective has largely escaped the attention of researchers. The current study fills this gap by examining psychological contract breach from both perspectives. Using the terms of inducements or employer obligations and contributions or employee obligations (Tsui et al., 1997), the current study explored the question of ‘How does the employee respond when the employer does not deliver on the promised inducements and how does the employer respond when the employee does not deliver on the expected contributions?’

Analyzing the employer’s reactions to psychological contract breach is consistent with the appeal for including the employer’s perspective in the study of the psychological contract in general. Millward and Brewerton (2000) argued that the conceptualization of the psychological contract should ‘take into consideration the wants and offers of both the individual and the organization’ (p. 51). In an extensive review of the psychological contract research, Shore et al. (2004) elaborated on the need for integrating both perspectives, that is, the employer’s breach from the employee’s perspective and the employee’s breach from the employer’s perspective, in future research on the employee-organization relationships. Research on the psychological contract from this dual perspective will achieve a more comprehensive understanding of the nature and effects of the exchange relationship between an employer and an employee.

To date, only one study by Tekleab and Taylor (2003) examined the consequences of psychological contract breach concurrently from both the employee’s perspective (inducement breach by the employer) and the employer’s perspective (contribution breach by the employee). In terms of the employer’s perspective, however, this study focused on the relationship between the supervisor’s perception of violation by the employee and the employee’s outcomes, that is, the employee’s OCBs and performance (as evaluated by the supervisor). Tekleab and Taylor did not examine the supervisor’s outcomes or the supervisor’s reactions to perceptions of contract violation by the employee (e.g., leader-membership exchange relationship quality and mentoring in our current study). In the current study, we extend this previous research by investigating the supervisor’s reactions upon perceiving a breach by an employee of the psychological contract, that is, a perceived contribution breach (PCB) by the employee. Such reactions may include providing less mentoring to the employee or reducing the quality of the leader-member exchange (LMX) relationship.

Another gap in the literature on psychological contract breach is that research has not given much attention to the moderating role of possible individual differences in the relationship between perceived psychological contract breach and reactions to this perception. Ho, Weingart, and Rousseau (2004) had examined the effect of personality differences on reactions to different types of contract breach with an experimental study. However, the focus of their study was on the main effect of personality on reaction to breach, rather than the moderating effect of personality on the relationship between contract breach and the corresponding reactions. Thus, the moderating effect of individual differences in the reactions to contract breach remains unexplored. It is unlikely that all employees would have similar reactions to psychological contract breach by their employer. Similarly, it is unlikely that all supervisors would react similarly to breach by employees of the psychological contract. The current study explored...
the role of two individual difference variables, that is, the traditional values of the employee and the benevolence of the supervisor. These characteristics may moderate each party’s responses to perceived psychological contract breach by the other party. We explored this issue in the context of the People’s Republic of China where there is meaningful variance in these two individual-level moderators.

Conceptual Background and Hypotheses

A core issue in the psychological contract is ‘the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations’ (Rousseau, 1989, p. 123). Obligation is a commitment to some future action. When entering into an employment relationship, the employee realizes that by doing so he or she is accepting an obligation to supply particular services to the organization as well as following the directives of management. The employee also perceives that the organization is obligated to provide certain items in exchange for the contributions supplied by the employee, such as wages, benefits, training, and career opportunities. Likewise, the employer accepts and expects certain obligations when entering into a relationship with a new employee. As introduced by Barnard (1938) and later elaborated by March and Simon (1958), the employer is obligated to provide a set of inducements in exchange for the employee’s obligations to provide certain contributions. These perceptions of mutual obligations are created by spoken and written communication, as well as by actions taken by each party. Both parties may believe that the obligations are mutually understood but, more often than not, the communication is often incomplete or inaccurate. Such miscommunication is neither intentional nor malicious but caused by a natural tendency by both parties to present a favorable image during the attraction process. This leads to both parties believing that more promises are made than might be intended. Since each party will only provide what they believe they owe to the other, if one party believes the other is obligated to provide a particular contribution yet the obligated party is unaware of that obligation that party will invariably fall short of delivering it (Shore et al., 2004). As Robinson and Rousseau (1994) argued, both employees and employers can experience a psychological contract breach by the other party. Taking the perceptions of mutual obligations into consideration, the present study analyzes each party’s reactions to perceived breach by the other party.

Employee reactions to perceived inducement breach by the employer

As discussed previously, the psychological contract breach includes both the employer’s inducement breach and the employee’s contribution breach. Following the definition by Morrison and Robinson (1997), in the present study, we define the perceived inducement breach (PIB) as the perception of a discrepancy between inducements promised by the employer and inducements actually obtained by the employees. Empirical studies have provided convincing evidence that PIB was negatively related to an employee’s organizational commitment (OC; e.g., Bunderson, 2001; Coyle-Shapiro & Kessler, 2000; Kickul, 2001; Lester, Turnley, Bloodgood, & Bolino, 2002; Raja et al., 2004; Robinson, 1995), in-role performance (e.g., Bunderson, 2001; Lester et al., 2002; Robinson, 1996; Turnley & Feldman, 1999), and extra-role behavior or OCB (e.g., Coyle-Shapiro, 2002; Coyle-Shapiro & Kessler, 2000; Robinson,
1996; Robinson & Morrison, 1995). These results are consistent with both social exchange theory (Blau, 1964) and equity theory (Adams, 1965). According to these theories, employees are motivated to seek fair and balanced exchanges with their employer. Employees whose psychological contracts have been breached are likely to believe that their employer cannot be trusted to fulfill its obligations and does not care about the well being of its employees (Robinson, 1995). Thus, the employees will be motivated to restore balance in the exchange relationship by reducing their contribution to the organization. They may be less loyal to their organization, perform poorer or display fewer OCBs.

While these empirical findings were obtained from samples in Western settings, we expect similar effects for employees in China—a developing economy where employment conditions are becoming more similar to those of developed economies. Researchers have reported the applicability of Western theories of management in Chinese firms and among Chinese workers (see Tsui & Lau, 2002). Therefore, our first hypothesis is a replication of the main effect of PIB on employee responses.

**Hypothesis 1**: Employee’s perception of inducement breach by the employer will be negatively associated with the employee’s responses of OC, OCB, and work performance.

**The moderating effect of traditionality on inducement breach and the employee responses**

Employees may not necessarily react to inducement breach in the same way, given that they hold different cultural values and these values may have impacts on the employees’ work behaviors (Hofstede, 1980; Kluckhohn & Strodtbeck’s, 1961). We expected that the employees’ traditional values will attenuate the employees’ reactions to the breach of psychological contract. Schwartz (1992) described the traditional cultural orientation as commitment to, respect for, and acceptance of the customs and norms of a society. A traditional employee accepts the asymmetric or unequal power between them and their employer (Halpern & Stern, 1998). In the Chinese setting, Yang, Yu, and Yeh (Yang, Yu, & Yeh, 1989) proposed a construct of traditionality and developed an indigenous scale to measure this construct. The defining characteristics of this construct are respect for authority, fatalism, a general sense of powerlessness, and obedience. Using the idea of traditionality, Farh, Earley, and Lin (1997) discovered that more traditional Taiwanese workers were less sensitive to injustice than were the less traditional workers. That is, traditional employees were less likely to react negatively even when they were being treated unfairly. Recently, Chen and Aryee (2007) found that traditionality also moderates the relationships between delegation and perceived insider status/organization-based self-esteem, such that the relationships are stronger for individuals with low rather than high levels of traditionality. Hui, Lee, and Rousseau (2004b) demonstrated that traditionality moderates the relationship of organizational support to affective commitment and OCB, such that those with high traditional orientations show a weaker association of organizational support with affective commitment and OCB than do those with a low traditional orientation.

In the current study, we predicted that traditionality would weaken an employee’s negative reactions to a PIB by the employer. More traditional employees believe in the rightful existence of power differentials between themselves and their employer. They tend to consider inequality in an exchange between themselves and their employer as reasonable and acceptable. By extension, these employees may be more tolerant when they perceive a psychological contract breach by their employer, and they may not decrease their contributions to their organization. In contrast, less traditional employees are equalitarian and more sensitive to the equity norm. For them, a PIB will likely lead to a reduction in
contributions as a means to regain balance in the social exchange, an outcome typically found in studies using samples in Western settings. The conceptual analysis leads to the following hypothesis:

**Hypothesis 2**: Employee’s traditionality will attenuate the negative relationship between the PIB by the employer and the employee responses of OC, OCB, and work performance. The relationship will be weaker for more traditional than for less traditional employees.

**Employer reactions to perceived contribution breach by the employees**

Who is the agent of the employer to perceive contribution breach by employees? Psychological contract theory (Rousseau, 1995) suggested that organizations have multiple agents who may describe the company’s view of reciprocal obligations under employment contracts. The agents could include top managers, human resource professionals, and the immediate supervisor. The immediate supervisors are the most likely agent to convey the contract to a specific employee (Tekleab & Taylor, 2003), and ‘the employee is more likely to view the manager (supervisor) as the chief agent for establishing and maintaining the psychological contract’ (Shore & Tetrick, 1994, p. 101). In the present study, we regarded the immediate supervisor as the agent representing the employer. Accordingly, we defined a PCB as a supervisor’s perception of a discrepancy between the contributions expected from the employees and those actually fulfilled by them. Contributions are the employees’ ‘payments’ to the employer, which could include working extra hours and being loyal in addition to performing the basic tasks in the job description.

When the supervisor perceives that the employee is not fulfilling his or her obligations, what might be the possible responses by the supervisor? Beyond the reaction of giving a lower performance evaluation to the employee (Tekleab & Taylor, 2003), we can identify additional responses by considering the total set of inducements that are under the supervisor’s control. In the employment relationship, the employer uses two basic types of inducements, that is, economic, such as pay or benefits, and developmental, such as training, participation in decision making or career advancement (Thompson & Bunderson, 2003; Wang, Tsui, Zhang, & Ma, 2003). When considering the supervisor as the agent for the organization, there is a third type of inducement that is controllable by the supervisor and desired by the employee. This includes socio-emotional support and individualized consideration by the supervisor toward the employee. They can be in the form of mentoring provided by the supervisor, recommendations for special assignments, or in general a high quality leader-member relationship (Graen & Scandura, 1987; Liden, Wayne, & Stilwell, 1993).

Mentoring is defined as the career development guidance and support provided by a more experienced person to a less experienced person (Kram & Isabella, 1985; Scandura & Schriesheim, 1994). Most mentoring research has indicated that mentors can enhance the protégés’ work effectiveness and job success through providing vocational and psycho-social mentoring (e.g., Scandura, 1992; Scandura & Schriesheim, 1994). In this relationship, a mentor provides a protégé with vocational mentoring (such as sponsorship, coaching, technical advice, and offering protection) or with psycho-social mentoring (such as role modeling, caring, acceptance, and offering encouragement). After receiving supervisory mentoring, a protégé is likely to show reciprocal behavior (such as acting on suggestions to enhance technical skills, giving good performance, willing to exert effort, or showing respect to the mentor). The good performance of an employee may further allow him/her to obtain a mentor and receive more vocational mentoring and social support (Scandura, 1992). Based on the social exchange logic, we expect that when the supervisor perceives a contribution breach by the subordinate, the supervisor will reduce his or her mentoring of the subordinate.
Beyond reducing mentoring, the supervisor may respond to an employee’s psychological breach by reducing the quality of the working relationship or LMX (Dansereau, Graen, & Haga, 1975; Wayne, Shore, Bommer & Tetrick, 2002) in general. High quality LMX is characterized by a high level of mutual trust, support, and respect (Dienesch & Liden, 1986; Graen & Cashman, 1975). If a supervisor perceives a contribution by a subordinate, s/he will accordingly repay the subordinate. In addition to adjusting the subordinate’s economic or developmental inducements, the supervisor will also offer socio-emotional inducements by increasing the support to and the respect for the subordinate. On the contrary, when the supervisor perceives a contribution breach by the employee (e.g., the contribution is less than expected); the supervisor will reduce his or her socio-emotional support to the employee with a corresponding decrease in the quality of the LMX (Rousseau & Parks, 1992). The logic that underlies this observation is that poor employee performance is a major determinant of a low-quality LMX (Colella & Varma, 2001; DelVecchio, 1998; Wayne & Ferris, 1990).

In sum, we expect that socio-emotional ‘currency’ (Thompson & Bunderson, 2003), that is, mentoring and LMX, would be negatively associated with a PCB by the subordinate. When a supervisor perceives that an employee does not fulfill the psychological contract, the supervisor will reduce the ‘currency’ by decreasing the chances of professional development, making less effort in providing vocational mentoring for the employee, or, in general, giving less support and trust (LMX). Thus, we propose the following hypothesis:

Hypothesis 3: Supervisor’s perception of contribution breach by the employee will be negatively associated with supervisory responses in terms of mentoring and the quality of LMX.

The moderating effect of the leader’s benevolence on perceived contribution breach and the supervisor’s responses

Not all supervisors will respond to an employee’s breach of psychological contract in the same manner as we have posited. Some leaders may be more forgiving or more tolerant than others. Thus, we consider the role of kindness or benevolence, one of the three key behaviors of paternalistic leaders in the Chinese context (Cheng, Chou, Wu, Huang, & Farh, 2004; Farh & Cheng, 2000). Having benevolence demonstrates concern for the welfare of others and conveys sincerity to maintaining exchange relationships between two parties (Gassenheimer, Houston, & Manolis, 2004). The one who is benevolent is interested in more than egocentric profit. S/he may be content with little return for an input in an exchange, or even sacrifice his/herself for others (Mayer, Davis, & Schoorman, 1995; Mayer & Davis, 1999; Mudrack, Mason, & Stepanski, 1999). In a study conducted in Taiwan, Cheng et al. (2004) found that benevolence was highly correlated with individual consideration—one of the dimensions of transformational leadership developed in Western settings. In a cross-cultural study in Australian, Japanese, Chinese, and Russian, Sarros and Santora (2001) found that Chinese managers stressed the value of benevolence and cared about the needs of their workers. Based on a study of more than 550 Chinese CEOs, Tsui, Wang, Zhang, Xin, and Fu (2004) found six leadership dimensions, one of which was showing benevolence. Empirical evidence has indicated that a supervisor who is benevolent would do personal favors and demonstrate generosity toward his/her subordinates and their families. In light of the findings on benevolence, we expect that benevolent Chinese managers would show consideration for their subordinates’ needs and interests, mentor them, and try to maintain a relatively high-quality relationship (LMX), even when they perceive contribution breach by the employees. Hence, we hypothesize that:
Hypothesis 4: The supervisor’s benevolence will attenuate the negative relationship between PCB by the subordinate and supervisory responses of mentoring and LMX. The relationship will be weaker when the supervisor is more rather than less benevolent.

We tested our hypotheses in the Chinese context, an emerging fertile ground for contemporary research on organizations (March, 2005). More importantly, the two moderators are particularly meaningful in this context. Thus, this study is a good illustration of contextualization to extend the theoretical boundary of the psychological contract theory (Tsui, 2006).

Organizational Context

Since the reform and implementation of the open-door policy in 1978, restructuring and privatization have dramatically accelerated the economic, cultural, and social development of the People’s Republic of China. These changes have given rise to variation in employment practices and employment relationships in both state-owned and non-state-owned firms. The current study was conducted at a large shoe manufacturing company located in Wenzhou, which is a coastal city in Zhejiang province in Southeastern China. Wenzhou’s total land area is 11,784 km², with a population of 7.5 million. Wenzhou was authorized as one of the first 14 coastal open cities of China in 1984. It is one of the pioneer areas where private and individual economy was encouraged to develop by the central government of China. Nowadays, the major industries in Wenzhou consist of handicraft and light manufacturing, such as shoes, clothes, metal lighters, glasses, shavers, locks, synthetic leather, resistors, water color pens, and so on. In the summer of 2003 when the current research was conducted, there were more than 130,000 private firms, accounting for 98.8% of the total number of enterprises in Wenzhou. Due to the shortage of the local work force, the private enterprises in Wenzhou employ a large number of migrant workers every year; the majority of them are peasants from rural areas in other provinces near Zhejiang. In 2003, there were more than two million migrant employees working in Wenzhou, forming about one third of the population in the city. As a result of the rapid development of the private economy in Wenzhou, workers with some experience can easily find new jobs in other firms. Thus, the turnover rate in Wenzhou’s private firms has been quite high.

Method

Sample and procedures

The subjects we selected for our study were employees in a shoe manufacturing company located in a coastal city in Eastern China. We collected data in 2003. There were about 3000 employees in this company then. We chose this company for our survey because it was a privately owned firm in which the employer had more discretion in providing inducements to employees than state-owned enterprises.
(SOEs) in China generally have. In addition, there is higher turnover in such firms in China as the economy adjusts to the economic reforms set out by the government and more opportunities for job change become available. Thus there are many new employees in this firm. On the other hand, psychological contract breach also might be more frequent in such firms, relative to SOEs, where long years of experience have taught employees what to expect.

The research procedure involved four steps. First, we asked the human resources (HR) manager to provide a list of all the supervisors in the company, in all the departments and functions, and at all levels. For each supervisor, we sampled three to nine subordinates, with an average of six. We over-sampled the new employees (6 months to 1 year of service) because previous research has found that reactions to psychological contract breach were the strongest in the first 6 months (Morrison & Robinson, 1997). Second, the HR manager, along with one of the researchers, gathered the supervisors together, in several groups, to explain the purpose and requirements of the study. Each supervisor was given two kinds of questionnaires, one for himself or herself to complete and one for each of the selected subordinates to complete. We put a matched code number on both the subordinate and the supervisor questionnaires. Third, the supervisors distributed the subordinate questionnaires to their corresponding subordinates. Each respondent was given a sealable envelope in which to enclose the completed survey. Finally, the researcher returned to the company after 3 days to collect the surveys. All the respondents sealed the completed questionnaires in the envelopes before returning the questionnaires.

To avoid common method bias and self-report bias, we asked each supervisor to evaluate the extent of contribution breach by each of his or her subordinate. We wrote the subordinate’s name on the supervisor’s questionnaire in pencil. This way, the supervisor focused on the subordinate he/she was evaluating. After completing the survey, the supervisors were asked to erase the names of the subordinates. This way, the identity of the subordinate was anonymous even if someone was to see the completed survey. All the participants were assured of the complete confidentiality of their responses. Lastly, we emphasized that participation in the study was voluntary.

In total, 60 supervisor questionnaires and 340 subordinate questionnaires were distributed. We received a total of 53 supervisor questionnaires and 299 subordinate questionnaires, for an overall response rate of 83.3 per cent and 87.9 per cent, respectively. After deleting incomplete questionnaires, a total 273 sets of supervisor-subordinate dyads remained and constituted the sample for the study. Table 1 summarizes the demographic information of the sample of employees and their supervisors. The employee sample comprised 33 per cent technical, 37 per cent production and the rest sales or administrative employees, and about 52 per cent had company tenure of less than 1 year. The 37 per cent production workers in the sample were paid on a piece rate basis while rest of the respondents (technical, sales, and administrative) were under a ‘base plus merit’ pay system. Essentially, all employees were paid based on performance, a new trend since the economic reform in China. Thus, their pay in part reflects their performance level.

**Measures**

The subordinate questionnaire contained the measures of PIB, OC, traditionality, the quality of the LMX, perceived mentoring by the leader, and leader benevolence. The supervisor questionnaire contained the measures of PCB and the employee’s OCB. The use of two surveys avoided the problem of common method variance. Work performance data (to be explained below) were collected from the HR department.

The survey instruments were in Chinese. The translation and back translation procedure was performed on measures without existing Chinese versions (Brislin, 1980). Unless otherwise noted, all
multi-item scales were measured on a 7-point Likert scale (1 = ‘strongly disagree’ and 7 = ‘strongly agree’).

**Perceived inducement breach**
We adopted seven items from a measure developed by De Vos, Buyens, and Schalk (2003) and two items from a measure developed by Tekleab and Taylor (2003) to assess PIB. The items for this scale are presented in the Appendix. A 5-point scale ranging from −2 = ‘receive much less than promised’ to +2 ‘receive much more than promised’ was used. The scale’s alpha coefficient for this sample was 0.72.

**Perceived contribution breach**
We adopted seven items from a scale by De Vos, Buyens, and Schalk (2003) and three items from a scale developed by Tekleab and Taylor (2003) to assess PCB. The items are presented in the Appendix. The same 5-point scale as for PIB was used. The scale’s alpha coefficient was 0.82.

**Organizational commitment**
We used a 6-item scale by Meyer, Allen, and Smith (1993) to measure OC. This scale had been used by Chen and Francesco (2003) in China. Sample items included ‘I feel emotionally attached to this organization’ and ‘I feel a strong sense of belonging to my organization’. The alpha coefficient for this scale was 0.74.
Organizational citizenship behavior

Following previous research, we treated OCB as a multidimensional construct, including individual-directed (OCBI), and organization-directed (OCBO) (Lee & Allen, 2002; Williams & Anderson, 1991). The two scales were measured by a 16-item scale (8 items for each dimension) by Lee and Allen (2002). Sample items for OCBI included ‘Helps others who have been absent’ and ‘Goes out of way to make new employees feel welcome in the work group’. Sample items for OCBO included ‘Attends functions that are not required but that help the organizational image’ and ‘Offers ideas to improve the functioning of the organization’. The alpha coefficient of the OCBI scale was 0.87 and it was 0.89 of the OCBO scale.

Work performance

We used an objective measure for this variable. Immediately after finishing our survey, we obtained the data for the most recent 3 months’ salaries (payments in Chinese Renminbi) for all respondents from the HR department. The company used a ‘base plus merit’ pay system in which employees were paid based on their work performance, determined from either actual production or supervisory ratings of performance for non-production employees. The average of the 3-month salary was used.

Mentoring

We used a 4-item scale adopted from Scandura (1992) to measure this variable. Sample items included ‘My supervisor cares about my career development’; ‘My supervisor gave me advice how to prepare for my promotion’. The coefficient alpha for this scale was 0.86.

Leader-member exchange

We used a 7-item scale with a 5-point response format developed by Scandura and Graen (1984) to measure LMX. This short form of the LMX scale has been widely adopted in LMX research (cf., Schriesheim & Gardiner, 1992), and it has been used by Hui, Law, and Chen (1999) in China. Sample items included ‘My immediate supervisor understands my problems and needs’ and ‘My working relationship with my immediate supervisor is effective’. The scale’s alpha coefficient in this study was 0.75.

Traditionality

We adopted the Chinese 8-item traditionality scale developed by Yang et al. (1989) to measure this variable. This scale had been used previously in research in the Chinese context (Chen & Aryee, 2007). Sample items were ‘The best way to avoid mistakes is to follow the instructions of senior persons’ and ‘When people are in dispute, they should ask the most senior person to decide who is right’. This variable was measured with a 5-point Likert scale (1 = ‘strongly disagree’, 5 = ‘strongly agree’). The scale’s alpha coefficient was 0.73.

Leader benevolence

We used Tsui et al. (2004) 4-item Chinese scale to measure this variable. The four items were ‘My supervisor shows concern for my family members’, ‘My supervisor shows concern for my personal life’, ‘My supervisor treats his subordinates like his/her family members’, and ‘My supervisor cares about his subordinates’. This variable was measured with a 5-point Likert scale (1 = ‘strongly disagree’, 5 = ‘strongly agree’). The scale’s coefficient alpha was 0.83.

Controls

We controlled for the employee’s gender, age, education, and company tenure in all the analyses.
Table 2. Results of the confirmatory factor analysis on the variables studied

<table>
<thead>
<tr>
<th>Model</th>
<th>$\chi^2$</th>
<th>df</th>
<th>TLI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the variables in the regression models for testing H1 and H2 (perceived inducement breach, traditionality, OC, OCBI, and OCBO):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 factor model</td>
<td>1263.57</td>
<td>692</td>
<td>0.93</td>
<td>0.94</td>
<td>0.054</td>
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<td>4 factor model (OCBI and OCBO were combined)</td>
<td>1426.70</td>
<td>696</td>
<td>0.91</td>
<td>0.92</td>
<td>0.066</td>
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<td>1 factor model</td>
<td>2385.78</td>
<td>702</td>
<td>0.81</td>
<td>0.82</td>
<td>0.110</td>
</tr>
<tr>
<td>For the variables in the regression models for testing H3 and H4 (perceived contribution breach, benevolence, LMX, and mentoring):</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4 factor model</td>
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<td>0.91</td>
<td>0.92</td>
<td>0.044</td>
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<td>3 factor model (benevolence and LMX were combined)</td>
<td>792.68</td>
<td>272</td>
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<td>0.73</td>
<td>0.096</td>
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<tr>
<td>1 factor model</td>
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<td>275</td>
<td>0.42</td>
<td>0.46</td>
<td>0.150</td>
</tr>
</tbody>
</table>

Note: TLI, Tucker–Lewis index; CFI, comparative fit index; RMSEA, root mean square error of approximation; OC, organization commitment; OCBI, organizational citizenship behavior (individually directed); OCBO, organizational citizenship behavior (organization directed); LMX, leader-member exchange.

Results

Table 2 presents the results of the confirmatory factor analysis using LISREL 8.50 (Jöreskog & Sörbom, 2001) that examined the distinctiveness of the multi-item variables used in the current study. As shown in the first part of that table, for the variables in the regression models for testing H1 and H2 (PIB, traditionality, OC, OCBI, and OCBO), the hypothesized five-factor model is the best fitting model relative to the two alternative models. For the variables in the regression models for testing H3 and H4 (PCB, benevolence, LMX, and mentoring), the hypothesized four-factor model is the better fitting model relative to the two alternative models. These results indicate support for the discriminant validity of the variables in the current study.

The means, standard deviations, and intercorrelations among the study variables and the controls are reported in Table 3. As expected, PIB was negatively related to employee outcomes of OC, OCBI, and OCBO, as well as work performance. However, PCB was negatively related to the supervisory outcomes of LMX but not to mentoring.

We used regression analyses to test the hypotheses. Table 4 shows the results for Hypothesis 1 (main effect in models 1, 3, 5, and 7) and Hypothesis 2 (moderating effect in models 2, 4, 6, and 8) for each of the four dependent variables. As shown, the hypothesized main effect of PIB on the employee outcomes received support. PIB was negatively related to OC ($\beta = -0.18, p < 0.01$), OCBI ($\beta = -0.15, p < 0.05$), OCBO ($\beta = -0.17, p < 0.05$), and work performance ($\beta = -0.13, p < 0.05$). To test the moderating effect, we used moderated regression analysis. Following Aiken and West (1991), variables used in the interaction terms were centered. As shown in Table 4, traditionality moderated the influence of PIB on three of the four dependent variables, OC ($\beta = 0.15, p < 0.05$), OCBI ($\beta = 0.14, p < 0.05$), and work performance ($\beta = 0.12, p < 0.05$), supporting Hypothesis 2.

We used the same data analysis approach to test hypotheses 3 and 4. Table 5 shows the results for Hypothesis 3 (main effect, in models 1 and 3) and Hypothesis 4 (moderating effect in models 2 and 4). As shown, PCB was negatively related to one of the two dependent variables, LMX ($\beta = -0.17, p < 0.05$), suggesting partial support for Hypothesis 3. Table 5 also shows that leader benevolence moderated the influence of PCB on mentoring ($\beta = 0.13, p < 0.05$), but not on LMX, also providing partial support for Hypothesis 4.
Table 3. Means, standard deviations, and intercorrelations among the study variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
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</thead>
<tbody>
<tr>
<td>Inducement breach</td>
<td>3.48</td>
<td>0.59</td>
<td>[0.72]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Org. commitment</td>
<td>4.86</td>
<td>0.97</td>
<td>−0.20</td>
<td>[0.74]</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>OCB-individual</td>
<td>3.45</td>
<td>1.04</td>
<td>−0.17</td>
<td>0.11</td>
<td>[0.87]</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OCB-organization</td>
<td>3.76</td>
<td>1.19</td>
<td>−0.18</td>
<td>0.07</td>
<td>0.66</td>
<td>[0.89]</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Work performance</td>
<td>1215.49</td>
<td>678.58</td>
<td>−0.21</td>
<td>0.16</td>
<td>0.26</td>
<td>0.29</td>
<td>[0.96]</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Traditionality</td>
<td>2.92</td>
<td>0.72</td>
<td>−0.04</td>
<td>0.22</td>
<td>0.01</td>
<td>0.02</td>
<td>−0.08</td>
<td>[0.73]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Contribution breach</td>
<td>2.69</td>
<td>0.54</td>
<td>0.17</td>
<td>0.01</td>
<td>−0.44</td>
<td>−0.51</td>
<td>−0.00</td>
<td>−0.15</td>
<td>[0.82]</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>LMX</td>
<td>3.47</td>
<td>0.72</td>
<td>−0.38</td>
<td>0.20</td>
<td>0.21</td>
<td>0.20</td>
<td>0.25</td>
<td>0.01</td>
<td>−0.17</td>
<td>[0.75]</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Mentoring</td>
<td>3.53</td>
<td>0.98</td>
<td>−0.23</td>
<td>0.27</td>
<td>0.01</td>
<td>0.13</td>
<td>0.03</td>
<td>0.09</td>
<td>−0.00</td>
<td>0.27</td>
<td>[0.86]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader benevolence</td>
<td>3.53</td>
<td>0.93</td>
<td>−0.28</td>
<td>0.30</td>
<td>0.19</td>
<td>0.21</td>
<td>0.18</td>
<td>0.09</td>
<td>−0.04</td>
<td>0.32</td>
<td>0.55</td>
<td>[0.83]</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Age</td>
<td>2.32</td>
<td>1.09</td>
<td>−0.12</td>
<td>0.14</td>
<td>0.06</td>
<td>0.05</td>
<td>0.48</td>
<td>0.06</td>
<td>0.00</td>
<td>0.12</td>
<td>0.02</td>
<td>0.12</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.64</td>
<td>0.48</td>
<td>−0.15</td>
<td>0.13</td>
<td>0.04</td>
<td>0.08</td>
<td>0.17</td>
<td>−0.01</td>
<td>−0.01</td>
<td>0.09</td>
<td>0.08</td>
<td>0.06</td>
<td>0.09</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2.32</td>
<td>0.75</td>
<td>−0.07</td>
<td>0.01</td>
<td>0.22</td>
<td>0.18</td>
<td>0.22</td>
<td>−0.15</td>
<td>0.01</td>
<td>0.17</td>
<td>−0.05</td>
<td>0.06</td>
<td>0.14</td>
<td>0.06</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Company tenure</td>
<td>2.93</td>
<td>2.00</td>
<td>−0.01</td>
<td>0.07</td>
<td>−0.06</td>
<td>−0.08</td>
<td>0.03</td>
<td>−0.02</td>
<td>0.11</td>
<td>0.09</td>
<td>−0.05</td>
<td>−0.03</td>
<td>0.02</td>
<td>0.08</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Correlation coefficients of 0.12 or greater are significant at p < 0.05; Correlation coefficients of 0.16 or greater are significant at p < 0.01; N = 273; OCB-Individual, organizational citizenship behavior (individually directed); OCB-Organization, organizational citizenship behavior (organizationally directed); LMX, leader-member exchange.
Tables 4 and 5 present the results of regression analyses. Table 4 details the employee responses to the supervisor's breach of the psychological contract (H1 and H2), while Table 5 focuses on the supervisor's responses to employee breaches (H3 and H4). Each table includes variables such as age, gender, education, tenure, and different measures of organizational behavior (OC, OCBI, OCBO, Perf.) along with their respective regression coefficients (β) and p-values. The tables also highlight the significance level with asterisks: **p < 0.01, *p < 0.05. The N for both tables is 273, and the regression models range from 1 to 8.
To demonstrate the specific moderating effects in H2, we solved for regression equations at high and low levels of traditionality. Following Cohen and Cohen (1983), high and low levels of traditionality were defined by plus and minus one standard deviation from the mean. We plotted the relationship between PIB and the employee outcomes of OC, OCBI, and work performance. A similar procedure was used to demonstrate the moderating effects in H4, using high and low levels of leader benevolence. We plotted the relationship between PCB and mentoring. Figures 1–4 indicate that the patterns of the interactions were consistent with the predictions.

Figure 1. Inducement breach and organizational commitment by employee traditionality

Figure 2. Inducement breach and OCBI by employee traditionality

Figure 3. Inducement breach and work performance by employee traditionality
Discussion and Conclusion

The results of this study extended those of the previous studies by identifying both the main and moderating effects of psychological contract breach from two perspectives: employee PIB by the employer and employer PCB by the employee, and by considering both supervisor and subordinate outcomes. Consistent with the findings of previous studies in Western settings, PIB correlated negatively with employee outcomes of OC, OCB, and work performance in the Chinese setting. Extending previous research, our study revealed that PCB by employees related negatively to the quality of LMX as perceived by the employee. When a supervisor (the agent of the employer) perceived that a subordinate contributed less to the organization than expected, the supervisor reduced his/her socio-emotional ‘payment’ to obtain a balance in the exchange relationship.

We further confirmed the attenuating effects of employee traditionality and leader benevolence on the relationships between psychological contract breach and responses to breach. The results show that more traditional employees were less sensitive to their employer’s psychological contract breach than are less traditional employees. This finding is consistent with that by Farh et al. (1997), suggesting the importance of this cultural value to organizational behavior in contexts where tradition and modernity may co-exist. The results of our study also show that more benevolent leaders are less sensitive to employee’s psychological contract breach than are less benevolent leaders. However, this attenuation by benevolence applies only to mentoring behavior. Only less benevolent leaders withheld mentoring when they PCB by their employees. More benevolent leaders continued to provide mentoring even when the employee failed to deliver on his or her contribution obligations. Perhaps benevolent leaders were willing to help with their employees’ careers so that the employees could be better prepared for other jobs, despite the supervisor’s disappointment with their employees’ contributions, a sign of benevolence indeed. The absence of the moderating effect on the relationship between LMX and the supervisor’s perception of employee contribution breach suggests an overall disappointment effect by both more- and less-benevolent leaders.

Limitations

As with any study, this study has a number of limitations. First, the use of cross-sectional data means that cause and effect relationships cannot be inferred from the findings reported here. While it is possible that poor performance may lead to a reduction in supervisory support (as measured by the two supervisory responses), logically, it is not as likely that these responses would produce a perception
of a breach in contribution. Future research should adopt a longitudinal design to affirm the causal relationships implied in the hypotheses. Another limitation is that our data were collected from only one company in China. The extent to which our findings are generalizable to other companies or settings should be tested in future studies. The third limitation is that we used two individual difference variables that are particularly meaningful in the Chinese context, that is, employee traditionality and leader benevolence; however their meaningfulness in other contexts is unknown. Fourth, we regarded leader benevolence as a behavior and measured it from the subordinate’s perspective. In future studies, researchers may desire to treat this variable as a value held by the leader and to measure it from leader’s perspective. Fifth, we focused on two socio-emotional variables to capture supervisory responses to their perceptions of an employee’s breach of the psychological contract. Future studies should explore other responses such as the supervisor’s perceptions of injustice or disappointment with the employee, which we assumed in this study to be mediating mechanisms. Another limitation is that we did not study the inter-connection between the psychological breaches by the two parties (supervisor vs. subordinate), but rather we analyzed their responses to perceived breach as independent events. Reactions to perceived breach by one party may trigger a response by the other party. The current study did not consider this dynamic process, which is an important topic for future investigations. Finally, we used summary scales for measuring psychological breaches. As a result, we cannot clearly identify which specific aspects of psychological contract have been violated. Future studies should explore the implications of specific aspects (e.g., pay, career development, or benefits in terms of employer obligations and performance or loyalty in terms of employee obligations) of contract breach.

These limitations, however, are counterbalanced by the methodological strengths of the study. First, the data were obtained from three different sources, including subordinates, their immediate supervisors, and the HR department of the company (i.e., the work performance data). Thus, concerns about common method bias should be minimized. Also, the interaction terms should be less susceptible to common method variance bias (cf., Pierce, Gardner, Dunham, & Cummings, 1993). Second, since the empirical literature on psychological contract breach is based primarily on American samples, the use of a Chinese sample in our study helps to extend the cultural boundaries of the theory of psychological contract breach.

Implications

Our results have both theoretical and practical implications. Theoretically, our study extends the literature on psychological contract breach in several ways. First, we examined the reactions of psychological contract breach from two separate perspectives—the employee’s and the employer’s (supervisor’s) perspectives. Previous studies tended to examine employee responses to employer’s contract (inducement) breach. Our study explored the employer’s responses to perceptions of contribution breach by the employees as well, thus extending the theoretical domain of psychological contracts and contract breaches in an employer–employee relationship.

Second, our study examined the boundary conditions of reactions to psychological contract breach, highlighting the roles of the individual characteristics of both the employee and the supervisor, which may weaken or strengthen the reactions to psychological contract breach. Future research should pursue other factors, such as exchange ideology (Eisenberger, Cotterel, & Marvel, 1987), social accounts (Sitkin & Bies, 1993), procedural justice (Lind & Tyler, 1988), or even the employee’s psychological capital (Luthans, Avolio, Walumbwa, & Li, 2005) that may moderate responses to disappointments caused by failure of the other party to deliver on (perceived or real) promised obligations in an exchange relationship. Future research also could incorporate the moderating role of attributions. For example, employee responses may be different if the cause for the inducement breach
is perceived to be beyond rather than within the control of the employer or the supervisor. Similarly, the supervisor may react less negatively if an employee’s breach of promised contributions is attributed to factors beyond the control of the employee. Ideas from attribution theory (Kelley, 1973; Weiner, 1985) could enrich future studies on psychological contracts and contract breach.

Third, the results of the current study suggest the possibility of developing a dynamic process model of psychological contracts involving initial expectations, perceptions of delivery on implied promises, and reactions to perceived contract breach, as well as an interplay between the employee breach and the employer breach, and testing the model with the same study. When a party responds to perceived breach by reducing engagement in the relationship, the other party is likely to respond with a perception of qualitative changes in the relationship, possibly leading to a perception of breach. It could become a spiral of disappointment by both parties. A longitudinal process study would reveal how perceived contract breach by one party may trigger a negative reaction by the other and identify contextual factors may avert the downward spiral.

Employee performance (OCB and work performance) was considered an outcome of PIB in the current study. However, employee performance may be an antecedent of supervisory perceptions of contribution breach by the employee. A supervisor’s responses to employee breach may further trigger employee perceptions of inducement breach by the supervisor. Future research should move beyond static analyses of such a reciprocal and dynamic processes.

Practically, the results on our moderating effects may help employers to understand why employees differ in their reactions to the employer’s breach of psychological contract. As more young employees enter the work force, the typical reactions of the less traditional employee may be useful information to employers in improving the bundle of inducements or in managing the employees’ perceptions of the delivery of the inducements. In addition, to improve the employment relationship with employees, an organization may take note of the importance of benevolence in its supervisors. If mentoring is not withheld, employees may be able to develop their skills or be transferred to a job where their skills are better suited. In the long run, these employees may change their attitudes (e.g., increasing commitment) and behavior (e.g., performing more OCB), and become better contributors to the organization, as a result of the mentoring they received from their benevolent supervisors.

In conclusion, the most important finding of this study is contextual. While responses by either party in the employment exchange to perceived contract breach may be negative, this negative reaction can be mitigated to some extent by the personal characteristics of the recipient. In this specific sample, more benevolent supervisors tended to be more forgiving while more traditional employees tended to be more tolerant. While these findings may be unique to China, the theoretical implications extend beyond the cultural confound. Whether intentional or unanticipated, failure to deliver on implied or actual promises in an employment relationship could occur in any organization, regardless of national or cultural boundaries. Future research on psychological contract breach should consider contextual factors (individual or situational) that may either strengthen or weaken the expected negative response to betrayal by either party involved in the exchange. Understanding the factors that may soften such an impact would contribute to both theory development and managerial practice.

Acknowledgements

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Author biographies

Zhen Xiong (George) Chen is Reader in Management in the School of Management, Marketing and International Business, The Australian National University. He received his Ph.D. in management of organizations from the Hong Kong University of Science and Technology. His research interests include leadership, organizational commitment, and job insecurity, especially in the Chinese context. Anne S. Tsui is Motorola Professor of International Management at Arizona State University. She was the 14th editor of the Academy of Management Journal, Founding Editor of Management and Organization Review, a Fellow of the Academy of Management, and Founding President of the International Association for Chinese Management Research (www.iacmr.org). Her research interests include organizational demography, employment relationships, social networks, executive leadership, and organizational culture, especially in the Chinese context. Lifeng Zhong is an Assistant Professor in Management at Renmin University of China in the P. R. C. He received his Ph.D. in Human Resource Management from Institute of Psychology, Chinese Academy of Sciences. His research interests include competency modeling, leadership, employment relationship, psychological contract, and psychological capital.

References


Appendix: Items Used to Measure Perceived Inducement Breach and Perceived Contribution Breach

<table>
<thead>
<tr>
<th>Perceived inducement breach (evaluated by employees)</th>
<th>Perceived contribution breach (evaluated by supervisors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity for promotion</td>
<td>Work fast and efficiently</td>
</tr>
<tr>
<td>A job in which you can make decisions by yourself</td>
<td>Assist his/her colleagues in their work</td>
</tr>
<tr>
<td>A job with responsibilities</td>
<td>Deliver qualitative work</td>
</tr>
<tr>
<td>Wage increases based on your performance</td>
<td>Share information with his/her colleagues</td>
</tr>
<tr>
<td>Regular benefits and extras</td>
<td>Work extra hours to get his/her job done</td>
</tr>
<tr>
<td>Respect for your personal situation</td>
<td>Protect confidential information about the company</td>
</tr>
<tr>
<td>The opportunity to decide for your self when you</td>
<td>Remain with this organization for at least some years</td>
</tr>
<tr>
<td>take your vacation</td>
<td>Develop new skills as needed</td>
</tr>
<tr>
<td>Fair treatment</td>
<td>Perform his/her job in a reliable manner</td>
</tr>
<tr>
<td>Training</td>
<td>Deal honestly with company</td>
</tr>
</tbody>
</table>

Note: For each item, employee respondents were asked to compare the amount of inducement they actually received from their employer to the amount that the organization had committed to provide to them. Supervisor respondents were asked to compare the amount of contribution they actually received from their subordinates to the amount that the subordinates had promised. In each case, responses were made on a 5-point scale ranging from $-2$ = 'receive much less than promised' to $+2$ 'receive much more than promised' (cf., Turnley & Feldman, 2000; Lester et al., 2002).