Ethics and an expanded psychological contract

Concerned about redressing negative impacts on their communities, many people are seeking improved social, environmental and ethical outcomes from organisations. Social values and beliefs systems are playing an increasingly influential role in shaping the attitudes and behaviour of individuals and organizations towards the employment relationship. Many individuals seek a broader meaning in their work that will let them feel that they are contributing to the broader community. For many organisations, a willingness to behave ethically, and assume responsibility for social and environmental consequences of their activities, has become essential to maintaining their ‘licence to operate’. The appearance of these trends in individual and organizational behaviour towards outcomes that are more explicitly congruent with ethical and social values has significant implications for understanding the psychological contracts being created today. In this paper, we propose and discuss a model of the role of ethical values as an influence on the psychological contract.
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Changing employment context
The pursuit of increased organizational responsiveness, productivity, flexibility and innovation has led to a changed context for, and to changes in, the nature of employment relationships. Increasingly, rather than being based on employee contributions of trust, loyalty and commitment in return for job security, and career prospects by the organization, employment relationships today feature employee contributions of increased effort, more responsibility, multi-skilling and role ambiguity in return for which the organization provides higher pay, rewards for performance and, in pay the basic terms, a job (Millward & Brewerton 2000). Research over a decade or more suggests that, as a consequence, there has been a general trend to increased employee disillusionment and cynicism, accompanied by reduced loyalty (e.g. Robinson & Rousseau 1994; Turnley & Feldman 2000).

Some scholars have raised the possibility that, as a consequence of these negative outcomes, social values and beliefs systems are playing a more influential role than previously in shaping the attitudes and behaviour of individuals and organizations towards the employment relationship. For example, drawing on research by Ashmos and Duchon (2000), Burr and Thomson assert that an innate need is motivating individuals to search for a broader meaning in their work that will let them 'feel that they can make a difference for the good or the all in some way' (2002, p. 2). In a similar vein, Thompson and Fanderson (2003) present evidence that organizations too are seeking to establish a broader explicit connection to their operating environments. Cause-driven statements, such as those shown below, have become more common as organizations endeavour to induce greater employee contributions by making employees feel that their efforts have value beyond the organisation (Collins & Porras 1996).

> HP strives to be an economic, intellectual and social asset to each country and community in which we do business (Hewlett-Packard 2007a)

> We strive to be a company that makes a difference in people’s lives — one that inspires our employees, delights our customers, rewards our shareholders and makes the world a better place. (Ford Motor Company 2007a)

The changing nature of the social context in which organizations have to operate today makes establishment and exploitation of such a broader connection to the community more difficult. Concerned about the negative impacts of business and its activities on their communities, many people are seeking improved social, environmental and ethical outcomes from organisations. As a consequence, the notion of corporate social responsibility, that is to say a willingness to behave ethically and assume responsibility for the social and environmental consequences of their activities, has for many organisations become essential to maintaining viability and their ‘licence to operate’ (Collier & Esteban 2007). The creation of an ‘ethical climate’ (Vickers & Cullen 1988; Martin & Cullen 2006) and the institutionalization of organisational ethics (Sims 1991), through culture, structure, and promulgation of explicit codes of ethics and conduct to govern decision-making processes, are examples of how organisations are endeavouring to operationalise their corporate social responsibilities, and demonstrate to employees and community alike that they are behaving ethically in their activities and decision-making processes. Two examples below provide support for this view:

A psychological contract forms when an individual perceives that his or her contributions obligate the organization to reciprocate (or vice versa), and it is the individual’s unilateral belief in the obligation of reciprocity that constitutes the contract (Rousseau 1989). The mutuality inherent in the psychological contract is ‘potentially idiosyncratic and unique for each person that agrees with it’ (Rousseau 1995, p. 10). Therefore, the emphasis on the individual’s subjective (cognitive-perceptual) experience is logical and necessary.

The popular approach to operationalising the psychological contract has been to use a bidimensional (transactional-relational) interpretative framework to differentiate contract types on the basis of a content-based assessment (Rousseau 1995). The transactional type has a focus on self-interest and an emphasis on economic and material contract terms. The relational type focuses on mutual interest and an emphasis on socio-emotional and non-material contract terms. There is a general consensus in the literature that, rather than representing the opposite ends of a continuum, the relational and transactional concepts are conceptually distinct dimensions (Taylor & Tkeladeb 2004). Thus an employee may be simultaneously high or low on both dimensions.
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Breach of the psychological contract

Psychological contracts operate according to a number of general principles, one of the most fundamental being that the purpose of a contract is the production of mutual benefits. In today's dynamic organizational operating conditions, however, where the employment relationship has been destabilised, the possibility of mutual benefits as an ongoing outcome of the exchange of contributions under psychological contract has been weakened. Indeed, research suggests that a majority of employees are likely to experience instances of non-delivery of contributions by the organization, with such events possibly leading to strong emotional reactions and a sense of betrayal being felt by employees (Robinson & Rousseau 1994; Rousseau 1995).

Individuals routinely assess the organization's actions in terms of what contributions they believe the organization has 'contracted' to deliver. When no discrepancy is perceived (with some variation tolerated within limits determined by the individual), the psychological contract remains in a steady state. However, if a discrepancy is observed, the individual will go through a cognitive process to determine whether the discrepancy has a negative or positive impact. If the latter is the case, the psychological contract is 'fine-tuned' and 'business as usual' recommences. On the other hand if a negative impact fulfilling the limits of acceptable change is perceived, then the discrepancy is considered a 'breach'. The level of emotion that will determine if the breach becomes a 'violation', that is the individual will experience an affective response which arises from an interpretation process that is cognitive, imperfect and not necessarily conscious in nature (Anderson & Schalk 1998; Morrison & Robinson 1997). A variety of factors, such as the scale of loss as well as the history and current health of the employment relationship, influence the level of affective response meaning that not all discrepancies become breaches, and not all breaches are elevated in significance to contract violations (Anderson & Schalk 1998; Morrison & Robinson 1997).

Expanding the interpretative framework for the psychological contract

The established bidimensional (transactional/relational) interpretative framework has its roots very much in the beliefs and values domain of the individual with regard to his or her relationship with the organization, and accordingly much research to date has focussed on the psychological contract as a single dyadic (employee-organization) relationship. However, some researchers (for example Maris, 2001; McLean Park, Kidd & Gallagher, 1996) have argued that such an approach ignores specific empirical evidence that suggests psychological contracts can often encompass multiple relationships which operate not only within but also outside the organization as well as imply an interdependency of exchange. In other words, the established interpretative framework does not properly recognize the growing significance of the inter-relations of the psychological contract and the social context (Coyle-Shapiro, Store, Taylor & Tetrick, 2004), and that many individuals may now aim to make psychological contracts that align the transactional ('what's in it for me'), and the relational ('what's in it for us'), with the transpersonal ('what fits with me, how do we work together in the organization, and where is the fit with me, us, and the rest of society' (Burr & Thomson 2002, p. 7).

This addition to the concept of psychological contracts enables us to go beyond the confines of transactional and relational parameters, and provides an opportunity to examine the more closely the influence of ethics. Under the established interpretative framework, the nature of the contributions exchanged in a psychological contract are interpreted as either economic (transactional) or socio-emotional (relational) in nature. However, the possibility that an individual's contributions may take other non-material forms, such as ideological contributions arising from an individual's desire to further a highly valued cause or principle (beyond self-interest), is overlooked (Thompson & Bunderson 2003). This means ideology-related contributions (for example, derived from an employee's adherence to a professional code of ethics) are conflated with socio-emotional contributions, and are not able to be recognised or interpreted as a distinctive element in an employee's psychological contract. On this point, there is a growing amount of empirical research starting to appear in the literature that supports the idea of ideology-related contributions as a separate element within the psychological contracts of professional employees in particular (e.g. Bunderson 2001; O'Donohue, Sheehan, Hecker & Holland 2007; O'Donohue, Donohue, & Grimmer 2007; O'Donohue & Nelson 2007).

Table 1 below shows an expanded interpretative framework for the psychological contract incorporating the transactional, the relational, and the ideology-infused perspectives. Comparison of the 'salient beneficiary' characteristics highlights an essential distinction between the three perspectives. In the case of a transactional perspective, the individual's approach is egocentric and instrumental focussing on benefits to him or her self. For a relational perspective, the individual approach is collectivistic focussing on benefits flowing to both the individual and the organisation. In the case of an ideology-infused perspective, however, the focus is shifted beyond the individual and the organisation to a third party beneficiary, defined in general terms as society, some segment thereof, or an intangible principle. Thus the ideology-infused psychological contract reflects a principled and externally oriented model of human nature, where the notion of 'greater good' may transcend personal gain in the eyes of an employee (Burr & Thomson 2002; Thompson & Bunderson 2003).

Table 1: Expanded interpretative framework for psychological contracts

<table>
<thead>
<tr>
<th>Transactional</th>
<th>Relational</th>
<th>Ideology-infused</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td>Narrow</td>
<td>Pervasive and comprehensive</td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
<td>Close-ended</td>
<td>Open-ended</td>
</tr>
<tr>
<td><strong>Primary currency</strong></td>
<td>Economic</td>
<td>Socio-emotional</td>
</tr>
<tr>
<td><strong>Organisation's obligations</strong></td>
<td>Provide continued employment, safe working environment, fair compensation</td>
<td>Provide training, career development, promotion opportunities, long-term job security</td>
</tr>
<tr>
<td><strong>Individual's obligations</strong></td>
<td>Fulfil formally specified role requirements</td>
<td>Fulfil generalised role obligations; organisational commitment and involvement; organisational citizenship behaviour</td>
</tr>
<tr>
<td><strong>Salient beneficiary</strong></td>
<td>Self ('Me')</td>
<td>Self and organisational community ('We')</td>
</tr>
</tbody>
</table>

Source: Adapted from Burr & Thomson (2002) and Thompson & Bunderson (2003)

Incorporating the concept of an ideology-infused psychological contract into the interpretative framework opens up new possibilities. Firstly, it broadens our understanding of what contributions might be exchanged under the psychological contract between an employee and the organisation. Secondly, and perhaps more importantly, by broadening the notion of the
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Although ethics has been said to be the pursuit of the ‘good life’ (Takala 2006, p. 4), more precisely it concerns a standard of conduct, or a set of principles by which we as individuals live, and has to do with answering the question ‘what ought I do?’ rather than ‘what shall I do?’ (Weinberg & Yandell 1971). According to Boatright (2003, p. 22), ethical principles stem from society as the basis for mutually beneficial interaction. It follows that individuals acquire their personal ethics as a result of social contact and discourse in everyday life. A number of influences are no doubt at play in this respect: parents, friends, and other people with whom we interact; all helping to shape attitudes, beliefs and values which lie at the heart of those ethical principles.

Of particular interest in the present context are the codes of professional conduct and ethics that contribute to the behaviour of individuals whether as employees or serving clients. Occasionally an individual’s personal ethics may clash with company rules and/or professional codes. In one well-documented case, the auditing firm of Arthur Andersen was accused of a conflict of interest in respect of Enron Corporation. As commented by Boatright (2003), a possible reason for the failure of Andersen to advise Enron’s board of concerns they had about the conflict of interest was that Andersen “also provided consulting services that were far more lucrative than auditing” (2003, p. 139). Other examples are not difficult to find. Taking only one recent newspaper at random, we find a university accused of quelling academic freedom of speech (Fitzgerald 2007), and a senior retail executive allegedly ‘cooking the books’ on the instructions of his chief executive (Spodey 2007). In addition, Chih, Shen and Kang (2007) examine cases of accounting fraud, highlighting the need for sound corporate ethical standards. Although these examples involve the pursuit of legal remedies through court action, the point argued here is not whether the law has been broken; rather, that there are ethics that impinge on the decision making process. Where the former is post hoc, the latter is a precursor to possible illegal actions. Clearly, the prevailing culture in an organisation can be a source of tension and psychological discomfort in cases where the organisation’s ethical climate clashes with professional and personal ethical standards.

Ethical climate

Victr & Cullen (1988) extended Kohlberg’s theory of moral development to organisations to describe types of ethical climates that exist when employees believe that certain forms of ethical reasoning or behaviour are expected standards or norms for decision-making within the organisation. Ethical climates express those organisation’s policies, procedures and practices, both formal and informal, that have moral consequences, and so determine the moral criteria that both managers and employees use to understand, weigh, and make judgements regarding right behaviour within an organisation (Martin & Cullen 2006).

In other words, an ethical climate will reflect the extent to which the ethical dimensions of organisational culture (in all its forms) have been institutionalised and embedded through the organisation’s socialisation processes so that ‘employees perceive the existence of normative patterns in the organisation with a measurable degree of consensus’ (Victor & Cullen 1988, p. 103). The less developed an organisation’s culture is, the greater the likelihood that employee perceptions will be fragmented leading to the existence of several identifiable different ethical climate types based on organisational sub-cultures and occupational sub-cultures. Similarly, in the case of organisations employing people from a range of professions and occupations, different ethical climate types based on well-defined normative patterns reflected in professional codes of ethics and conduct may co-exist within such organisations. Indeed, any organisation is unlikely, other than in theory, to have a single operational ethical climate type (Victor & Cullen

salient beneficiary it also offers the prospect of a better understanding of how perceptions of breach and violation of a psychological contract might develop. For example, the narrower bi-dimensional framework comprehends the consequences of non-delivery by one party, usually the organisation, only in terms of its impact upon the self-interest of the other party, usually the employee, or on the collective interest of both parties. However, the expanded framework allows for the perception by an employee of a failure by the organisation to deliver on contributions involving a third party beneficiary to be understood as a breach of the psychological contract, even though there has been no direct personal or material impact on the employee (Thompson & Andersen 2005). So, in addition to factors such as the scale of loss as well as the history and current health of the employment relationship, the extent to which non-delivery by the organisation impairs the interest of a third party salient beneficiary, may well influence the employee’s perception of a breach of the psychological contract.

Ethical frameworks

It is well established that individuals use mental models or schemas both cognitively and intuitively to make meaningful interpretations of the intent of others, events, and actions commonly encountered within the organisation (Rousseau 2001). Schema content springs from two general sources. First, there is private internalised knowledge, such as the individual’s personal values and beliefs, previous and current employment experiences, and an understanding of the values, beliefs and likely behaviours of others in the workplace. The personal moral values and beliefs that underpin an individual’s ethical reasoning are an example of this form of private internalised knowledge. Second, there is collectively shared knowledge, such as knowledge and understandings of the values and beliefs and behaviour of others validated as ‘correct’ by peers and colleagues, which operates in a normative field (Bloor & Dawson 1994; Rousseau 1995). The perceptions individuals share regarding the ‘ethical climate’ (Victr & Cullen 1988) within their organisations are an example of this collective knowledge.

Personal ethical values and beliefs

For the individual assessing and interpreting the organisation’s contributions and intentions with regard to the psychological contract, personal ethical values and beliefs about what constitutes right behaviour will form an important schematic element, the sophistication of which will reflect the level of the individual’s cognitive moral development. Kohlberg (1984) and other researchers that followed him have identified three broad levels of individual moral development: the ‘pre-conventional’ level, which is the lowest level of development: the ‘conventional’ middle level; and the ‘post-conventional’ level, which is the highest level of individual moral development. Individuals develop at different rates and do not always complete the journey to the highest stage, often functioning at a lesser level determined through interaction with their peer groups and in accord with organisational policy and legal frameworks.

At the basic pre-conventional level, the salient beneficiary for decision making is the individual and reasoning is predominantly based on maximisation of self-gain, and minimisation of personal loss. Reasoning at the conventional level acknowledges the salience of others in the organisation, such as peers and supervisors, as second party beneficiaries to the psychological contract. At the highest level, post-conventional, reasoning is based on the consideration of universally valid values and rights, such as human rights and justice, and embraces the idea of a social contract to recognise the interconnectedness of the individual, the organisation and its environment.
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In both the typology and model, the ‘Ethical Theory’ dimension characterises organisational decision-making in terms of three major theoretical perspectives derived from ethical philosophy: egoism, benevolence, and principle. Egoism applies to behaviour concerned with self-interest and self-interest maximizing behaviour. Benevolence (or utilitarianism) relates to consequences and the general good, and refers to behaviour concerned with the well-being of others, that is to say decisions and actions that aim at achieving the greatest good for the greatest number of people. The principle perspective is also concerned with duty in respect of decisions and actions that benefit others, but through the application of universal rules, laws, codes, and procedures (Victor & Cullen 1988; Martin & Cullen 2006). Drawing on sociological theory related to referent groups, the ‘Locus of Analysis’ dimension represents the specific levels at which decision-making is determined and behaviour is operationalized. At the level of the individual, personal beliefs and values will serve as the basis for decision criteria. At the local (organisational) level, perceptions about organisational standards and norms will come into play as a basis for decision criteria. At the cosmopolitan (community external to the organisation) level, perceptions about a broader set of social and ethical standards and norms will operate as decision criteria (Victor & Cullen 1988; Martin & Cullen 2006).

A comparison of the locus of analysis dimension in both Victor & Cullen frameworks (Figures 1 and 2) with the salient beneficiary dimension of the expanded interpretative framework for the psychological contract (Table 1) suggests the possibility of using the former to fine-tune the latter. Specifically, the interpretative framework defines the notion of salient beneficiary for each of the psychological contract perspectives broadly in terms that closely align with Victor and Cullen’s (1988) more precise definition of the three referent levels of decision-making and their associated decision criteria. In other words, the focus of the transactional perspective on the ‘self’ or ‘me’ aligns with the individual referent level. The local (organisation) referent level aligns with the focus of the relational perspective on the ‘self’ and the organisational community’ or ‘we’. The cosmopolitan (community external to the organisation) referent level aligns with the focus of the ideology-infused perspective on ‘society or some principle’ or the ‘all’. Merging these theoretical frameworks in this way assists in clarifying the role that ethical frameworks play as an influence in the process by which an employee develops the perception that a breach of the psychological contract by the organisation has occurred.

**Ethical reasoning and breach of the psychological contract**

Turnley and Feldman (1999) suggest that an employee’s perception of a breach of the psychological contract will be influenced by three main factors: the sources from which the employee has derived their expectations, the nature of the specific contribution in which a discrepancy has been noted, and the characteristics of a discrepancy. According to Turnley and Feldman (1999), sources of an employee’s expectations can include the employee’s perceptions of the organisation’s culture and common practices. Drawing on the discussion of ethical frameworks above, it can be reasoned that these sources might include the individual’s personal ethical values and beliefs as well as the organisation’s ethical climate as perceived by the employee.

With regard to the nature of the specific contribution in which a discrepancy has been noted, Turnley and Feldman (1999) discuss contributions that fall into two broad categories of ‘currency’—economic or socio-emotional in nature. Again drawing on earlier discussion of an expanded interpretative framework for the psychological contract, these categories can be

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**Figure 1**: Five common empirical derivatives of ethical climate

<table>
<thead>
<tr>
<th>Ethical Theory</th>
<th>Individual</th>
<th>Local</th>
<th>Cosmopolitan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egoism</td>
<td>Instrumental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benevolence</td>
<td>Caring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principle</td>
<td>Independence</td>
<td>Rules</td>
<td>Law and Code</td>
</tr>
</tbody>
</table>

**Figure 2**: Theoretical strata of ethical climate

<table>
<thead>
<tr>
<th>Ethical Theory</th>
<th>Individual</th>
<th>Local</th>
<th>Cosmopolitan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egoism</td>
<td>Self-Interest*</td>
<td>Company Profit*</td>
<td>Efficiency*</td>
</tr>
<tr>
<td>Benevolence</td>
<td>Friendship*</td>
<td>Team Interest*</td>
<td>Social Responsibility*</td>
</tr>
<tr>
<td>Principle</td>
<td>Personal Morality*</td>
<td>Company Rule and Procedure*</td>
<td>Laws and Professional Codes*</td>
</tr>
</tbody>
</table>

*Typical decision criteria
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...expanded to include organisational contributions that demonstrate a credible commitment to an ideological cause or principle.

Turning now to the third factor, the characteristics of a discrepancy, Turnley and Feldman (1999) discuss several matters, including the magnitude of any loss the employee incurs as a result of the discrepancy between what was promised and what was delivered by the organisation, and the attribution that employees make with regard to the cause of the organisation’s failure to deliver what was promised. While Turnley and Feldman (1999) focus on losses incurred by the employee (‘me’) as the salient beneficiary, negative impacts on the joint interests of the employee and the organisation (‘we’) as the salient beneficiaries, or on the collective interests of the salient beneficiaries defined more broadly (‘we, me and society’) will be considered in line with the type of psychological contract the employee holds. In terms of perceptions the employee may have regarding the cause of the organisation’s failure to deliver what was promised, the ethicity of an organisation’s actions may be assessed in the interpretative process the employee uses to attribute cause.

The match between employees’ personal ethical preferences and their perceptions of the organisation’s expectations in regard to ethical decision making has been the subject of research over a long period from a variety of perspectives. For example, Blake and Carroll (1989) demonstrated unresolved conflicts between organisational expectations and employee preferences interfered with the employee’s ethical decision making process. Sims and Kroec (1994) studied the fit between personal beliefs and the perceived ethical climate of the organisation, showing that a good match between the two was positively related to commitment. In a study that investigated intrapersonal role conflict as a consequence of a mismatch between an employee’s own ethical beliefs and what the organisation expected, employees were perceived to be in regard to ethical decision making. Sims and Koen (2000) illustrated the negative impact of incongruence between personal and organisational perspectives. There has been, however, little research examining this issue using the concept of the psychological contract. In this regard, the significance of the degree of match between an employee’s ethical beliefs and their perceptions of the organisation’s expectations or ethical climate lies in its influence on the process by which an employee concludes that the failure of an organisation to meet its perceived obligations under the psychological contract represents a breach of the contract.

Figure 3 below presents a model of the role of ethical frameworks as an influence in the process by which an employee elevates the perception of a discrepancy to the level of a breach of the psychological contract. The model integrates the ideas covered in the earlier sections of this paper (Burr & Thomson 2002; Kohlberg 1984; Rousseau 1995; Thompson & Baidens 2003; Turnley & Feldman 1999; Victor & Cullen 1987, 1988) and illustrates the role of ethical reasoning as a factor in the process of psychological contract breach by:

- representing ethics generally as a factor of influence;
- separating out, and showing an interaction between, the individual’s own personal ethical framework (including professional codes of ethics) and the individual’s perceptions of the organisation’s ethical climate (including formal organisational codes of ethics and behaviour); and,
- providing a more detailed description of the typical decision making criteria that might associate with the different psychological contract and ethical climate perspectives.

The model depicts the process commencing with the perception by the employee of a discrepancy between expected and received psychological contract contribution from organisation. The employee then assesses the nature of the impact of that discrepancy on the perceived salient beneficiary - the self (‘me’), the self and organisational community (‘we’), or society, some segment thereof, or an intangible principle (‘all’). In doing so, the employee’s ethical beliefs and perceptions of the organisation’s ethical climate will be factors of influence. The nature of each of the two forms of ethical frameworks, and the type of psychological contract the employee holds, will be related to the criteria the employee will use to determine whether the impact is significant. If the impact is perceived as sufficiently negative then the discrepancy will be perceived as a breach, which in turn will lead to a reassessment of the psychological contract that may be accompanied by Exit, Voice (including internal and external whistle blowing), Loyalty, or Neglect behaviours on the part of the employee. If no negative impact is perceived, then the status quo will continue, perhaps with some inconsequential ‘fine-tuning’ in regard to the psychological contract.

Figure 3: Integrative model of the role of ethical frameworks in the process by which a breach of the psychological contract is perceived
In this way, the model allows us to suggest that in regard to the psychological contract:

- where the organisation’s action is perceived as consistent with both the individual’s ethical values and beliefs and the perceived ethical climate of the organisation, the organisation’s action is less likely to be perceived as a breach;
- where the organisation’s action is perceived as inconsistent with both the individual’s ethical values and beliefs and the perceived ethical climate of the organisation, the organisation’s action is more likely to be perceived as a breach;
- notwithstanding the impact of the organisation’s socialisation processes, where there is a lack of congruence between the individual’s ethical beliefs and the perceived ethical climate of the organisation, cognitive dissonance will ensue. This is likely to result in the individual’s personal ethical values having dominance over the organisation’s expectations as the key influencing factor, and perceptions of a breach if the negative impact is adjudged by the individual as significant.

Implications

In terms of implications for psychological contract theory, this discussion highlights the need to recognise the ethical dimension more fully if a better understanding of the complexity of the relationship between employees and their organisation is to be obtained. While there has been quite a lot of attention paid to the justice dimensions (distributive, procedural, etc) in psychological contract research to date, by extending the justice approach to include possible consideration of alternatives – utilitarianism, moral rights, and universalism, the proposed model has potential as a focus for future research into the process of breach.

From the perspective of the management practitioner, two matters deserving of consideration emerge from this analysis of the psychological contract and ethics. One relates to the source of deeply internalised personal ethics within individuals, the other to a clash of professional ethics and organisational requirements. As stated by Robbins (2005, p. 71), ‘Individuals enter an organisation with preconceived notions of what “ought” and what “ought not” to be. Of course, these notions are not value-free. On the contrary, they contain interpretations of right and wrong. Ideas of right and wrong based on, say, devoutly held religious or other value-based beliefs have the potential to disrupt organisational operations profoundly. In such cases, organisational attempts to socialise employees and establish normative patterns of ethical behaviour may prove problematic. This presents difficulties for management in resolving tensions in the best interests of the organisation, without offending the individuals concerned to the point where a perceived breach of the psychological contract occurs.

These difficulties may be exacerbated in a globalised world where organisations traverse national borders and the opportunity exists for perceptions to differ on ethical standards.

Several authors draw attention to this issue where ethical standards vary between countries (Desai & Rittenburg 1997; Napal 2005; Jackson 2000). In one case it was found that ethical standards differed between nationalities of managers according to the nationality of their home country rather than the host country and, further, that corporate policy had little influence on managers’ ethical attitudes and decisions, with very little variation across cultures (Jackson 2000). The link between values and ethics is further emphasised by Payne (1988) who examined various measures of values and attitudes and their linkage to ethics. A point to be made here is that employees recruited from the host-country may quite well have different views from parent-country nationals on what is ‘ethical’, thus producing a tension that has the potential to disrupt the organisation’s operations.

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