Power Differential And Employee Responses to Perceptions of Non-fulfilment by the Organization of Its Psychological Contract Obligations

Dr Wayne O'Donohue, Griffith University, Australia
Associate Professor Martin Grimmer and Teo Hwe Teq, University of Tasmania, Australia

ABSTRACT

This study aims to explore how an individual’s psychological contract type and power distance orientation combine to shape the behavioural response to perceptions of non-fulfilment by the organization of its PC obligations. A theoretical model is developed and four hypotheses are tested using data collected by the administration of a survey questionnaire to a sample of 223 business students at an Australian university. The results indicate that when considered at the level of the individual, power distance orientation and psychological contract type can be combined to predict an individual’s likely behavioural response in terms Exit, Voice, Loyalty and Neglect.

INTRODUCTION

Of the many concepts focussing on the exchange relationship at the heart of the employee-organization relationship, the ‘psychological contract’ (PC) has received considerable attention and acceptance as a research tool. Debate over the PC construct and its merits has a long history, and its remains ongoing. Several recent reviews (e.g. Conway and Briner, 2009; Taylor and Tekleab, 2004) have confirmed the continuing vitality of that debate by tracing scholarly pathways through the large amount of extant PC research.

The study reported here derives its focus from two particular areas identified in the PC literature as having been under-researched: firstly, the significance of the type of PC as an influence on an individual’s behavioural response to problematic events in the employment relationship (Conway and Briner, 2009); and secondly, the role of socio-cultural values in the PC (Coyle-Shapiro and Conway, 2004; Thomas et al., 2003; Wang et al., 2003), and particularly in relation to the tolerance (or otherwise) by individuals of the perceived power differential between themselves and the organization under the PC (McLean Parks and Smith, 1998). The following research question provides the focus for our study: what is the association at the individual level between an individual’s PC type, orientation towards the way power is distributed under the employment relationship, and likely behavioural response to non-fulfilment by the organization of its PC obligations.

In definitional terms, the PC is most commonly defined as comprising an individual employee’s beliefs about the terms and conditions of a voluntary, reciprocal and mutual exchange agreement between the individual and their organization (Rousseau, 1995). Although several typologies of contract types have been proposed (e.g. Isaksson et al., 2010; Shore and Barksdale, 1998; Tsui et al., 1997), it is the bi-dimensional – Relational and Transactional – interpretive framework that dominates PC research (De Cuyper et al., 2008). Under this framework (McLean Parks and Smith, 1998; Rousseau, 1995), the Relational PC type is defined as one which: prioritises open-ended, socio-emotional content terms; involves investments by the individual and organization that are inter-related and evolving over time; and, creates a commitment to the other party that promotes interdependence and lessens the weight of self-interest. In contrast, the Transactional PC type is defined as one which: prioritises more explicit, short-term, material content terms; assumes rational and self-interested parties with no ongoing interdependence; and is relatively stable over time.

The basic contract types are derived from a summary set of content-derived contract features – salient beneficiary; scope and tangibility; stability and duration; content focus; organizational obligations; and individual obligations. In theory, these features enable PC type to be classified as either Transactional or Relational. However, empirical research has demonstrated that an individual employee's PC will usually include an idiosyncratic mix of content items (Conway and Briner, 2009), thus it is highly likely that an individual PC will have features characteristic of both types with one type predominating (De Cuyper et al., 2008). For this reason, the bidimensional typology is used here for classifying contract type, not as wholly one or the other but as either ‘predominantly Relational’ or ‘predominantly Transactional’.

PC research has consistently shown that, when viewed from the employee’s perspective, ongoing fulfilment of obligations by the organization is a prerequisite for a functional PC of either type, with meta-analyses (Bal et al., 2007; Zhao et al., 2007) showing that when the organization is perceived to have failed in this regard, negative impacts such as reduced performance, satisfaction, and commitment occur. More specifically, under a predominantly Relational PC type, non-fulfilment has been positively related to the individual’s intentions to quit, and negatively related to commitment, trust, and organizational justice. While under a predominantly Transactional PC, non-fulfilment has
been negatively related to the individual’s job satisfaction and commitment; it has also been shown as positively related to intentions to quit, careerism, and lack of trust in the organization (Conway and Briner, 2009). Of final note, persuasive empirical evidence has accumulated from studies of non-fulfilment, as represented by the concepts of ‘breach’ and ‘violation’ (Morrison and Robinson, 1997), that failure by the organization to meet its PC obligations is for many individuals a commonplace occurrence (Lester, Turnley, Bloodgood and Bolino, 2002; Robinson and Rousseau, 1994).

There are two points of interest arising from this body of research for our study. Firstly, while a range of negative effects has been identified, many of the reported correlations are weak to moderate (Conway and Briner, 2009; Suazo, Turnley and Mai-Dalton, 2005). Secondly, every instance of perceived non-fulfilment by the organization does not invariably produce a negative response on the part of the employee (Morrison and Robinson, 1997; Zhao et al., 2007). These points together suggest there may be factors not yet accounted for, which are influencing an individual’s response to non-fulfilment by the organization of its PC obligations.

In pursuing our research interest in the association at the individual level between an employee’s PC type, orientation towards the way power is distributed under the employment relationship, and likely behavioural response to non-fulfilment by the organization of its PC obligations, this study assumes that the individual is aware that non-fulfilment by the organization has occurred, i.e. the individual has already concluded that organization has not ‘lived up to its side of the deal’. It is the response intention that individuals might be expected to form, after such cognition has occurred, that is of primary interest here. Hence, consideration of the concepts of ‘breach’ and ‘violation’ and the process leading up to and including cognition of non-fulfilment falls outside the scope of this study; these are topics already examined at length in the literature (Conway and Briner, 2009).

**PSYCHOLOGICAL CONTRACTS AND DISTRIBUTION OF POWER**

Given that the PC is established by an act of cognition by the individual, factors such as cognitive limits and different frames of socio-cultural reference serve to influence, not only the formation of the PC but also evaluation of their own performance as well as the organization’s performance under the PC. This in turn implies that an individual’s subjective beliefs about their organizational, social, and personal circumstances will influence their evaluation of the functional status of their PC (Rousseau, 1995). In other words, because perceptions of the general values, norms and expectations about behaviour in the workplace are used by the individual for personal sense-making purposes, then they are a key influence in shaping the individual’s ideas about the appropriateness of workplace behaviours, the distribution of power and resources in the workplace, and organizational actions impacting negatively on the individual’s PC (McLean Parks and Smith, 1998).

Moreover, the definitional focus on a ‘voluntary reciprocal and mutual exchange agreement’ implies a model of contracting for the PC that assumes the power distribution between individual and organization is symmetric. However, while a zero power differential between employee and organization may be possible in theory, the probability is that the distribution of power will most often be asymmetric in favour of the organization (McLean Parks and Smith, 1998). This does not mean that individual employees are ‘powerless’, nor that individuals have no recourse to action when the organization is perceived as having failed to fulfil its obligations; rather it means that in relative terms individuals are less powerful than the organization, and that this lesser state will shape the way an individual employee is likely to respond non-fulfilment by the organization of its PC obligations. In line with this reasoning, it follows that the socio-cultural beliefs an individual holds specifically about what constitutes acceptable behaviour by the organisation in relation to the PC will determine: the level of asymmetry in the distribution of power and resources in favour of the organization that the individual employee will accept; and, the consequent level of forbearance the individual employee will demonstrate in relation to non-fulfilment by the organization of its PC obligations. These two aspects of an individual’s socio-cultural values are neatly captured in the concept of ‘power distance’ (Hofstede, 1980).

The concept of power distance, developed originally by Hofstede (1980) as one of five dimensions in a socio-cultural interpretive framework applicable at the societal level, is defined as the degree to which power and resources are distributed unequally within society. At the individual level in the workplace, the concept is reframed as ‘power distance orientation’ (PDO) to represent the extent to which an employee will accept and tolerate an unequal distribution of power and resources in favour of the organization (Begley et al., 2002). For example, employees who have a higher PDO will tolerate large inequalities in the distribution of power, resources, and rewards between themselves and others within their workplaces. They will be submissive to others they perceive as their superiors in the organization, will not openly question management prerogative in decision-making, and will not expect to be consulted or to participate in decision-making. In contrast, a lower PDO signifies recognition by the employee of the importance of equality and opportunity, and that all should share in
the decision-making and allocation of resources and rewards within an organization (Begley et al., 2002).

A range of previous studies at the individual level within a workplace frame of reference (e.g. Begley et al., 2002; Farh et al., 2007; Maznevski et al., 2002; Thomas et al., 2003) have shown large variations in PDO between individuals within one society, and that these individual differences impact differently on a range of organizational outcomes and behaviour, such as organizational decision making, affective commitment and job performance. However, only one recent study has used PC theory to frame an examination of the link between PDO and the behaviour of individual employees (Chao et al., 2011). The study confirmed, in line with social exchange theory, that when the organisation is perceived as not having fulfilled its PC obligations, employees with a higher PDO may engage in less counter-productive work behaviours than employees with a lower PDO (Chao et al., 2011). However, Chao and colleagues did not consider PC type as a factor of influence, nor because of their focus on counter-productive work behaviours did they examine the influence of the individual’s PDO on the possible link between non-fulfilment and employee responses in the form of constructive productive work behaviours. The study reported here considers these issues.

EMPLOYEE RESPONSES TO NON-FULFILMENT BY THE ORGANIZATION

Within the PC literature, the Exit, Voice, Loyalty, Neglect (EVLN) typology (Hirschman, 1970) has been successfully used for framing the productive and counter-productive forms that employee responses may take in the event of perceived non-fulfilment of obligations by the organisation (Conway and Briner, 2009; Turnley and Feldman, 1999a, 1999b). Basically, the typology classifies each of the four response types along two dimensions. One dimension – ranging from ‘constructive’ to ‘destructive’ – reflects the nature of the impact an individual’s likely response will have upon the quality of the employment relationship. The second dimension – ranging from ‘active’ to ‘passive’ – reflects the degree of observable effort that might characterise a likely response. Of the four response types, Voice and Loyalty are considered to be constructive behavioural responses designed to maintain and enhance the employment relationship. Voice includes the most active set of behaviours such as the employee attempting to help solve a problem by actions such as participating in problem solving groups and suggesting solutions. Loyalty includes the set of less active responses such as patiently waiting and trusting in the organization to solve the problem. In contrast, the other two response types – Exit and Neglect – are considered to be destructive behavioural responses designed not to impact positively on the employment relationship to which the employee accords lesser value. Exit comprises the set of most active destructive behaviours such as the employee quitting the organization, or actively taking steps to find a position in another organization. Neglect consists of the set of less active destructive responses such as being lax and reducing work effort and contribution to the organization.

Using the EVLN typology, and drawing on the literature, it is possible to create a two-dimensional framework to model the relationships between PC type and PDO (independent variables) and each of the EVLN responses (dependent variables) in the event of perceived non-fulfilment by the organization of its PC obligations (see Figure 1 below).

**Figure 1: Relating predominant PC type and PDO to EVLN responses**

<table>
<thead>
<tr>
<th>Predominant PC type</th>
<th>Active</th>
<th>Passive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational</td>
<td>VOICE</td>
<td>LOYALTY</td>
</tr>
<tr>
<td>Transactional</td>
<td>EXIT</td>
<td>NEGLECT</td>
</tr>
</tbody>
</table>

PDO

The underpinning logic in combining the two independent variables is that neither is sufficient by itself to predict any of the EVLN responses; but as explained below, using the two variables together joins the constructive/destructive and active/passive dimensions, thus making prediction of a specific response possible. It is important to note that: using the two independent variables together in this way does not necessarily imply a moderation effect, which may or may not occur; and, while each response type may occur singly, or individuals may move sequentially from one to another (Naus et al., 2007), this study focuses only on the likely initial response.

**II Linking Predominant PC Type to Constructive/destructive Responses**

As discussed earlier, a predominantly Relational PC is characterised by open-ended, socio-emotional investments with a long-term focus on the collective interest of the individual and
organization. Employees with such a PC type are more likely over time to show a high level of organizational commitment, and place greater weight on maintaining the employment relationship in good health for the long term (Coyle-Shapiro et al., 2004). Moreover, as a predominantly Relational PC is characterised by a sharing of benefits and burdens between the individual and organization, relationship-oriented employees are more likely to accept that reciprocity in exchange need not be immediate, and expect that future interactions will provide an opportunity for satisfactory adjustments to be made. Therefore, they are more likely to remain with the organization through the difficult times, and engage in cooperative rather than self-interested behaviour in order to ensure the employment relationship survives (McLean Parks and Smith, 1998; Rusbult et al., 1988; Turnley and Feldman, 1999b). On this basis, we argue that for individuals who have a predominantly Relational PC the constructive behaviours of Voice and Loyalty are more likely responses than are the destructive behaviours of Exit and Neglect.

In contrast, we recall that the predominantly Transactional PC focuses primarily on short-term economic exchange that promotes self-interest, less trust, and minimal commitment and loyalty to the organization. As there is no long-term desire to preserve the employment relationship, individuals with a predominantly Transactional PC are less likely to engage in organizational citizenship behaviours, and see themselves as having little to lose in terms of investment in the job and organization (Rusbult et al., 1988; Turnley and Feldman, 1999b). Hence, when non-fulfilment by the organization is perceived, the options available to the transaction-oriented employee for addressing the problem are limited mainly to reducing their contributions in terms of direct work effort, or by exiting the organization (Kickul et al., 2002; Robinson, 1996; Turnley et al., 2003). Hence, the destructive behaviours of Neglect and Exit are more likely responses for individuals who have a predominantly Transactional PC than are the constructive behaviours of Voice and Loyalty.

### Linking PDO to active/Passive Responses

By definition, employees with a low PDO will believe there should be an equal distribution of power in the organization, authority should be shared, and people should have the opportunity to participate in the organization's decision-making processes (Begley et al., 2002; Lee et al., 2000; Yang et al., 2007). Such individuals will also have a strong internal belief that they are able to effectively control and control their own destiny. A strong need for equality means they are also more likely to perceive inequality in the distribution of power and resources in the workplace (Begley et al., 2002; Kirkman and Shapiro, 2001). Hence, employees who have a low PDO are more likely to engage in active and non-conformist behaviours when they perceive non-fulfilment by the organization of its PC obligations. If low PDO employees believe the organization is willing and able to respond in good faith, these behaviours are likely to be directed towards restoring and improving the relationship (LePine and Van Dyne, 1998; Van Dyne and LePine, 1998; Yang et al., 2007). Hence, Voice will often be utilised as the principal mechanism by which such individuals try to stimulate positive and corrective change (Thomas and Au, 2002; Turnley and Feldman, 1999b; Yang et al., 2007). On the other hand, where belief in the organization's good faith is absent, low PDO employees are more likely to consider withdrawing their contribution to the organization (Chao et al., 2011). Also, they are less likely, because of their strong internal locus of control, to see themselves as dependent on the organization; therefore, they are more likely to consider alternative employment options (McLean Parks and Smith, 1998). In line with this reasoning, we suggest that the active behaviours of Voice and Exit are more likely responses for individuals who have a low PDO than are the passive behaviours of Loyalty and Neglect.

For high PDO individuals, the unequal distribution of power, status, and authority in organizations is accepted as the norm; inequality and injustice are taken for granted (Lee et al., 2000; Miller et al., 1996; Thomas and Au, 2002). They are highly influenced by the norms of conflict avoidance and respect for authority, and believe that organizations have the prerogative to make decisions without consulting employees (Begley et al., 2002; Farh et al., 2007; Yang et al., 2007). This means that employees who have a high PDO are less likely to perceive inequality and instances of non-fulfilment by the organization. Because their locus of control is external, such individuals believe they cannot effect major change without the approval of those with authority in the organization (Kirkman and Shapiro, 2001; Thomas et al., 2003). For these reasons, if and when they do perceive non-fulfilment by the organization, employees who have a high PDO are less likely to take action to abandon the organization by voluntarily terminating the employment relationship, and more likely to exhibit passive conformist behaviours (Farh et al., 2007; Leck and Saunders, 1992; Si et al., 2008). When high PDO employees believe the organization is benevolent and trustworthy, the most likely passive response will be behaviour supportive of the organization and its decision-making authority. In line with the norms of acceptance and harmony maintenance, such individuals are thus more likely to respond with behaviours that demonstrate Loyalty. On the other hand, when they do not believe the organization to be trustworthy, they are more likely to reduce their contribution in ways that are not visible to the organization, such as work avoidance.
and/or simply being lax in performing their job, in order to re-establish a sense of equity in the employment relationship (Chao et al., 2011; McLean Parks and Smith, 1998). On this basis, therefore, we suggest that the passive behaviours of Loyalty and Neglect are more likely responses for employees who have a high PDO than are the active behaviours of Exit and Voice.

Combining Predominant PC Type and PDO to Predict Response

In terms of the constructive/destructive dimension, employees with a predominantly Relational PC type who perceive and value their relationship with the organization as a long-term investment of mutual benefit align with the constructive responses of Voice and Loyalty. From the individual’s perspective, these responses will at worst not damage and at best improve the relationship to the mutual benefit of the employee and the organization. In contrast, employees with a predominantly Transactional PC type, because they have a comparatively short-term perspective and place lesser value on the mutually beneficial aspect of their relationship with the organization, align with the destructive responses of Exit and Neglect. These responses offer the individual the possibility of at least protecting their own interest, and at most maximising that interest without concern for the mutual interest and/or the interest of the organization.

Looking at the active/passive dimension, low PDO employees, who believe that all should share in the decision-making and allocation of resources and rewards within an organization, align with the active responses of Voice and Exit. These responses entail the individual expending observable energy to correct a perceived negative imbalance in the employment relationship either cooperatively with the organization or unilaterally through separation from the organization. In contrast, high PDO individuals, because they accept a power imbalance in favour of the organization, align with the passive responses of Loyalty and Neglect. From the individual employee’s perspective, these responses entail comparatively less or nil expenditure of observable energy to restore the employment relationship to a balanced state.

As indicated earlier, our study aims to investigate the association at the individual level between an individual’s PC type, PDO, and behavioural responses to non-fulfilment by the organization of its PC obligations. No previous study has considered how an employee’s PC type and PDO may be combined to predict such behavioural responses. Hence, in accordance with the theoretical model presented above, the following hypotheses are offered:

- **Hypothesis 1:** Employees with a predominantly Relational PC and a low PDO are more likely to respond to perception of non-fulfilment by the organization through Voice.
- **Hypothesis 2:** Employees with a predominantly Relational PC and a high PDO are more likely to respond to perception of non-fulfilment by the organization through Loyalty.
- **Hypothesis 3:** Employees with a predominantly Transactional PC and a low PDO are more likely to respond to perception of non-fulfilment by the organization through Exit.
- **Hypothesis 4:** Employees with a predominantly Transactional PC and a high PDO are more likely to respond to perception of non-fulfilment by the organization through Neglect.

METHOD

Sample

The sample comprised 142 MBA students and 81 undergraduate business students at an Australian university. All respondents were currently employed, with the majority (n=121, 54.3%) on a full-time basis. Of the sample, 102 respondents (45.7%) were female. The majority (n=184, 82.5%) were aged between 20-39 years; one (0.5%) was under 20 years of age, 35 (15.7%) were aged between 40-59 years, and three (1.3%) provided no age information. Job types were reported as ‘management’ (n=80, 35.8%), ‘professional’ (n=46, 20.7%), ‘technical/trade/secretarial’ (n=30, 9%), and ‘other’ (n=67, 30%). There were 155 respondents (69.5%) who reported having already completed an undergraduate or postgraduate qualification.

Measures

*Psychological contract type*

A 17-item shortened version of the Psychological Contract Scale (PCS) developed by Millward and Hopkins (1998) was used to assess the Relational and Transactional dimensions. The Transactional subscale comprises ten items, and the Relational subscale seven items, each of which require participants to indicate the degree to which they agree with the given statements based on a seven-point Likert Scale ranging from (1) strongly disagree through to (7) strongly agree. A subscale score for each dimension is gained by averaging responses to the relevant items. Examples of the statements include: ‘I work to achieve the purely short term goals of my job’ (Transactional); and ‘My career path in the organization is clearly mapped out’ (Relational). Studies using PCS (e.g. Grimmer and Oddy, 2007; O’Donohue et al., 2007; Raja et al., 2004; Millward and Herriot, 2000) have indicated that the PCS is psychometrically sound. Cronbach’s alpha coefficients were obtained for both sub-scales on the current data, with each revealing a good internal reliability (Relational, Relational,
Power distance orientation

PDO was measured at the individual level using the instrument developed by Dorfman and Howell (1988), the psychometric properties of which have been well-documented across a range of research (e.g. Begley et al., 2002; Farh et al., 2007). The instrument has six items presented as statements, and respondents are required to indicate the degree to which they agree with the given statements, based on a five point Likert Scale ranging from (1) strongly disagree to (5) strongly agree. Examples of the statements include: ‘Managers should make most decisions without consulting subordinates’; and ‘Employees should not disagree with management decisions’. Responses are averaged to produce a single PDO score. The Cronbach’s alpha coefficient for the current data revealed a good level of internal consistency (\(\alpha = 0.83\)).

Exit, Voice, Loyalty and Neglect

Behavioural intentions (EVLN) were measured, in line with the well-established theories of reasoned action and planned behaviour, by using a published instrument (Naus et al., 2007). Respondents were first asked to read an introductory statement and to consider how they would most likely respond. The statement described a standardised scenario in which non-fulfilment was established, through references to general circumstances identified in the literature that individuals might perceive as representing non-fulfilment (e.g. ‘unreasonable or contradictory demands’, ‘lack of support’ and the ‘organisation has not lived up to its side of the deal’); the aim of such an approach being consistent with our focus on the individual’s response after non-fulfilment had occurred. It also reduced the amount of information respondents had to impute themselves (Alexander and Becker, 1978). Importantly, the use of a standardised description aligned with our focus on predominant contract type as an independent variable, and avoided the possibility that more explicit examples of non-fulfilment using specific content items might not have resonated with each respondent as either relevant and/or of sufficient weight in themselves to reflect non-fulfilment. Pre-testing on a sub-sample of 29 MBA students indicated that the introductory statement was suitable for use with respondents in the intended sample in terms of matching their personal work experience and eliciting the range of behavioural responses we were seeking.

Following the introductory statement, respondents were presented with 20 items (five items each for the four response types), and asked to indicate their response using a seven point Likert Scale ranging from (1) strongly disagree and (7) strongly agree. Examples of those statements include: ‘Remain confident that the situation will be taken care of, without me actively contributing to the decision-making process’ (Loyalty); ‘Discuss the problem with my supervisor and try to work out a solution together’ (Voice); ‘Put less effort into my work than may be expected of me’ (Neglect); and ‘Look for job advertisements to which I could apply’ (Exit). A separate score for each behaviour response was gained by averaging responses to the relevant items. The Cronbach alpha coefficient for the current data revealed a good level of internal consistency for each response type: Exit, \(\alpha = 0.86\); Voice, \(\alpha = 0.86\); Neglect, \(\alpha = 0.88\); and Loyalty, \(\alpha = 0.86\).

Procedure

The questionnaire was administered to students during class time. All potential respondents were provided with a written statement about the study, and were briefed on the study aims and the procedures to be used to ensure privacy and confidentiality. They were advised that their participation in the survey was voluntary. As some students declined involvement at the time of group distribution, and others did not return the survey, it was not possible to identify systematically the response rate, nor reasons for non-participation. Out of 225 questionnaires collected, two questionnaires contained information that was incomplete. These were discarded, leaving the total sample size of 223 respondents.

Data Analysis

Two forms of statistical analysis – Chi-square and Canonical Correlation Analysis (CCA) – were used in this research, of which the former required data coding to be done. For the purpose of the Chi-square analysis, respondents were classified as either having a predominantly Relational (RPC) or predominantly Transactional PC (TPC) type. In order to make this designation, standardised scores for both sub-scales were examined for each respondent, the higher of which was then used to classify the predominant PC type for that respondent. For example, if the Relational sub-scale score was the higher of the two standardised scores then the respondent’s PC type was classified as predominantly Relational. Each respondent’s predominant PC type was then coded as a nominal variable accordingly. Respondents were then classified as having either a high or low PDO. A median-split process was used in order to achieve this. With the current data, an average score of less than three (out of five) was considered to represent a low PDO (LPD) orientation while more than three was taken to represent a high PDO (HPD) orientation. Each respondent’s PDO was then coded as a nominal variable accordingly. In order to create the required...
combinations of PC type and PD orientation to test the relationships proposed in Figure 1. Respondents’ predominant PC type and PDO were subsequently combined to form a single nominal variable of four categories: (i) RPC with LPD, (ii) RPC with HPD, (iii) TPC with LPD, and (iv) TPC with HPD. Respondents’ data were also examined in terms of their most likely behaviour response to non-fulfilment by the organization as described in the instrument’s introductory statement. The behavioural response type (EVLN) which had the highest score for each respondent was classified as their most likely behavioural response, and this was then coded accordingly as a nominal variable. This process of coding resulted in two nominal variables – PC type/PDO and most likely behavioural response – each with four categories. When combined for Chi-square analysis, the cross-tabulation table thus contained 16 cells. Chi-square assumes that at least 80% of cells should have expected frequencies of five or more (Pallant, 2007). Data for the current study did not violate this assumption as 15 out of the 16 cells (93.7%) conformed to this requirement. For analysis, the two student cohorts were combined to form a single sample as there was found to be no significant difference between the MBA and undergraduate students pertaining to the two nominal variables of interest: PC type/PDO ($\chi^2(3) = 0.18, n.s.$), and behavioural response ($\chi^2(3) = 2.93, n.s.$).

CCA is a correlation-based multivariate statistical method that seeks to examine the relationship between two sets of variables, often identified as a predictor set and a criterion set (Sherry and Henson, 2005). As a multivariate analytical technique, CCA has several important advantages. Because CCA allows for simultaneous comparisons among multiple variables it minimises the possibility of a Type I error i.e. reporting a difference, effect, or relationship that really does not exist in the data. As each test carries its own risk of such an error, the risk becomes cumulative if too many statistical tests are done on the same variables in a data. CCA helps in minimising this likelihood. Also, CCA has the advantage of capturing the complexity of human behaviour and cognition, much of which is characterized by multiple causes and effects. Univariate analytical methods that separately examine a single cause and effect (such as ANOVA and regression) may sometimes overlook important multivariate relationships (Sherry and Henson, 2005). A third reason for using CCA in this study is that all participants’ data were able to be incorporated in a continuous, non-dichotomised format (i.e. interval scale, as measured), thus providing a more detailed statistical analysis than the use of categorical data makes possible. As this method of analysis is correlation-based, no causality is implied; rather, the designations of ‘predictor’ and ‘criterion’ are founded in the theoretical relationship between the variables, such as was illustrated earlier in Figure 1. In this case, predominant PC type and PDO were used as the predictor set and the EVLN responses as the criterion set.

**ANALYSIS AND RESULTS**

### Descriptive Statistics

The majority of respondents held a predominantly RPC (63.3% and 63.7% respectively for males and females). Similarly, the majority of respondents were found to have an LPD (59.2% for male and 77.5% for female). Across all age groups and all education levels, the majority of respondents held a predominantly RPC and had an LPD. The majority of respondents (74.4%) who were employed as full-time employees held a predominantly RPC. On the other hand, respondents who were employed on a part-time basis were evenly divided according to predominant PC type. LPD was predominant for respondents in both part-time and full-time employment. The majority of the respondents who were employed in ‘Management’ and ‘Professional’ fields, held a predominantly RPC (71.3% and 65.2%, respectively) whilst respondents who were employed in the ‘Other category’ were more evenly divided (48.5% RPC and 51.5% TPC). The majority of respondents across all job types had an LPD.

### Hypotheses Testing

Using Chi-square analysis, there was found to be a significant relationship between predominant PC type/PDO and most likely behavioural response ($\chi^2(9) = 111.91, p < 0.001$). This represents an effect size of $\phi = 0.71$ (Cohen, 1988), with a power of 0.99, representing a 99% level of confidence in the capability of the data to detect a relationship between the two variables of interest. Table 2 below shows the cross-tabulation of these two variables.

<table>
<thead>
<tr>
<th>PC type/PD orientation</th>
<th>Exit</th>
<th>Voice</th>
<th>Loyalty</th>
<th>Neglect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RPC/ LPD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected count</td>
<td>20.2</td>
<td>50.2</td>
<td>16.6</td>
<td>13.0</td>
<td>100</td>
</tr>
<tr>
<td>Actual count</td>
<td>8</td>
<td>81</td>
<td>6</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Percentage</td>
<td>8.0%</td>
<td>81.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>RPC/ HPD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected count</td>
<td>8.3</td>
<td>20.6</td>
<td>6.8</td>
<td>5.3</td>
<td>41</td>
</tr>
</tbody>
</table>
Note: Row percentages are reported.

Hypothesis 1 proposed that respondents with a predominantly RPC and LPD were more likely to respond through Voice. Table 2 shows that Voice accounted for 81% of the behavioural responses for RPC/LPD respondents, and was thus the most frequently-occurring behavioural response for this category of respondent (well above the expected count for that cell). Therefore, Hypothesis 1 is supported. Hypothesis 2 proposed that employees with a predominantly RPC and an HPD were more likely to respond through Loyalty. Table 2 shows that for respondents in the RPC/HPD category, Loyalty accounted for 41.5% of the behavioural responses, and was the most frequently occurring behavioural response for this category of respondent (above the expected count for that cell). These findings support Hypothesis 2. Hypothesis 3 proposed that respondents with a predominantly TPC and an LPD were more likely to respond through Exit. Table 2 shows for respondents in the TPC/LPD category, Exit accounted for 51% of the behavioural responses, and was the most frequently occurring behavioural response for this category of respondent (above the expected count for the cell). Hypothesis 3 is therefore supported. Hypothesis 4 proposed that respondents with a predominantly TPC and an HPD were more likely to respond through Neglect. Table 2 shows that in the TPC/HPD category, the most frequently occurring behavioural response for this category of respondent was Neglect, accounting for 38.7% of the behavioural responses (above the expected count for that cell). Thus, Hypothesis 4 is supported.

CCA was subsequently conducted to augment the results of the Chi-square analysis reported above. Table 3 below shows the means, standard deviations and correlations among the variables in each set. Checks of the theoretical assumptions underlying the CCA were undertaken, with no serious violations identified. No two variables were correlated above 0.7, and so multicollinearity was not considered to be an issue in the data.

Table 3: Means, standard deviations, and correlations among 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>
</tr>
</thead>
<tbody>
<tr>
<td>1 Transactional</td>
<td>39.63</td>
<td>11.33</td>
<td>.67</td>
<td>.53</td>
<td>.30</td>
<td>.28</td>
<td>.23</td>
<td>.08</td>
</tr>
<tr>
<td>2 Relational</td>
<td>31.75</td>
<td>8.44</td>
<td>.54</td>
<td>.57</td>
<td>.37</td>
<td>.56</td>
<td>.51</td>
<td>.09</td>
</tr>
<tr>
<td>3 Power Distance</td>
<td>15.30</td>
<td>5.63</td>
<td>.21</td>
<td>.01</td>
<td>.09</td>
<td>.20</td>
<td>.36</td>
<td>.05</td>
</tr>
<tr>
<td>4 Loyalty</td>
<td>19.04</td>
<td>7.20</td>
<td>.20</td>
<td>.30</td>
<td>.13</td>
<td>.04</td>
<td>.23</td>
<td>.44</td>
</tr>
<tr>
<td>5 Exit</td>
<td>20.00</td>
<td>6.90</td>
<td>.31</td>
<td>.02</td>
<td>.37</td>
<td>.36</td>
<td>.27</td>
<td>.04</td>
</tr>
<tr>
<td>6 Neglect</td>
<td>16.48</td>
<td>7.50</td>
<td>.20</td>
<td>.01</td>
<td>.48</td>
<td>.32</td>
<td>.35</td>
<td>.05</td>
</tr>
</tbody>
</table>

*p < .01; N = 223.

The CCA produced three canonical functions which, respectively, were found to have squared canonical correlations ($R^2$) of .38, .20 and .04. This indicates that the three functions, in turn, accounted for 38%, 20% and 4% of the variation. With a Wilks’ $\lambda$ of .48, the full model encompassing the three functions was significant ($F(12, 571.77) = 15.36, p < .001$). As Wilks’ $\lambda$ can be used as an inverse of the amount of variance shared by the two variable sets, 1- $\lambda$ provides the overall effect size for the full model, which in this case was 1-.48 = .52. Thus, the predictor and criterion variable sets were found to have sizeable 52% shared variation.

In order to establish the significance of the second and third canonical functions (the significance of the first function is tested by the full model), the dimension reduction analysis was evaluated. After removal of the first function, the cumulative effect of functions two and three was significant ($F(6, 434) = 10.31, p < .001$). As function two also accounted for 20% of the variation, it is therefore quite interpretable. The third canonical function, while significant after the removal of the first and second functions ($F(2, 218) = 4.78, p < .01$), explained only 4% of the variance. Thus, it was not considered sufficiently strong to warrant interpretation (see Sherry and Henson, 2005).

Table 4 below shows the standardised canonical function coefficients (Coef), the structure coefficients ($r_{st}$), the squared structure coefficients ($r_{st}^2$) and the communality coefficients ($h^2$) for the three functions for each of the predictor and criterion variable sets (noting again that function three will not be interpreted). All of the variables displayed communality coefficients of above .45 (underlined), even when the effect of the third function was removed (see the final column in Table 4).
This indicates that all of the variables in each set were useful in the interpretation of the first two canonical functions.

Functions one and two can be interpreted using Sherry and Henson’s (2005) cut-off of .45 for the structure coefficients (here bolded and underlined). Function one gained loadings from TPC and PDO from the predictor variable set and Loyalty, Neglect and Voice from the criterion set. TPC (.85) and PDO (.66) were thus directly associated with Neglect (.88) and to a lesser extent Loyalty (.50), but inversely associated with Voice (.79). This means that TPC/HPD participants were more likely to display Neglect and to a lesser extent Loyalty, and less likely to display Voice. This function seems to associate TPC/HPD positively with the ‘passive’ responses of Neglect (supporting Hypothesis 4) and to a lesser extent Loyalty, and negatively with the ‘active’ response of Voice (consistent with Hypothesis 1) (see Figure 1 earlier). It is interesting to note that RPC in the predictor variable set (.43) almost reached the .45 cut-off for inclusion on function one. This would have incorporated an association between RPC/LPD with the ‘active’ Voice response, and negatively with the ‘passive’ Loyalty and Neglect responses. Function two gained loadings from RPC and PDO from the predictor variable set and Loyalty and Exit from the criterion set. RPC (.70) and PDO (.68) were thus directly associated with Loyalty (.62), but inversely associated with Exit (.80); meaning that RPC/HPD participants were more likely to display Loyalty, but less likely to display Exit. This function seems to associate RPC/LPD positively with the ‘passive’ response of Loyalty (supporting Hypothesis 2), and negatively with the ‘active’ response of Exit (consistent with Hypothesis 3).

Table 4: Canonical solution for PC type, PDO and EVLN responses for functions one, two and three

<table>
<thead>
<tr>
<th>Function 1</th>
<th>Function 2</th>
<th>Function 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable</strong></td>
<td><strong>Coef</strong></td>
<td><strong>rs</strong></td>
</tr>
<tr>
<td>TPC</td>
<td>-.68</td>
<td>.85</td>
</tr>
<tr>
<td>RPC</td>
<td>.19</td>
<td>.43</td>
</tr>
<tr>
<td>PDO</td>
<td>-.51</td>
<td>.66</td>
</tr>
<tr>
<td>Loyalty</td>
<td>-.21</td>
<td>.50</td>
</tr>
<tr>
<td>Exit</td>
<td>-.14</td>
<td>.35</td>
</tr>
<tr>
<td>Neglect</td>
<td>-.57</td>
<td>.88</td>
</tr>
<tr>
<td>Voice</td>
<td>.43</td>
<td>.79</td>
</tr>
</tbody>
</table>

Note. Structure coefficients (rs) greater than | .45 | are underlined and bolded. Communalities coefficients (h^2) larger than 45% are underlined. Coef = standardised canonical function coefficient; rs = structure coefficient; r^2 = squared structure coefficients; h^2 = communality coefficient.

**DISCUSSION**

This study developed a theoretical model of the relationship between predominant PC type (Relational/Transactional), PDO (high/low), and the most likely behavioural response (EVLN) by employees to perceived non-fulfilment by the organization of its PC obligations. The four hypotheses derived from that model were tested empirically and, using Chi-square analysis, were supported. This suggests that the model was robust in its development and in its predictions regarding how employees of different PC and PDO would respond to perceived non-fulfilment by the organization.

Overall, the CCA results supported the four hypotheses and the Chi-square results, with Hypotheses 2 and 4 being clearly upheld. Inclusion of RPC (only marginally below the .45 cutoff) on function one would have added further support to Hypothesis 1. In any event, the CCA results were consistent with Hypotheses 1 and 3. Over and above the Chi-square analysis, the CCA results indicate that the ‘active’ responses of Voice and Exit always associated negatively with the ‘passive’ responses of Loyalty and Neglect. This suggests that PDO (high/low), which was linked with the active-passive continuum in the theoretical model, carries greater weight than predominant PC type in the predictor set as an explanatory factor in the canonical solution (PD h^2 = 89.8%). In addition, while the CCA results show active and passive responses as mutually exclusive, they suggest that employees with a TPC type may display both constructive and destructive responses as in the case, for example, of TPC/HPD who were likely to display both Voice and Neglect.

This study’s findings reinforce previous studies which separately indicated that employees with an RPC (Turnley and Feldman 1999b) and LPD (Thomas and Au 2002) have the tendency to utilise Voice as a constructive response aimed at repairing the employment relationship when they perceive the organization not to have fulfilled its obligations. The results are also consistent with Si et al.’s (2008) finding that perceived non-fulfilment by the organization did not reduce loyalty to the organization. The nature of the RPC suggests that this should be the case, as it is more open-ended, with a long-term focus involving socio-emotional investments in the employment relationship. Thus, withdrawal from the relationship is difficult (McLean Parks and Smith, 1998).
With regard to the TPC, the findings of this study align with those of Thomas and Au (2002) and Kickul et al. (2002). Thomas and Au (2002) found that LPD employees are more likely to exhibit non-conformist behaviour such as Exit in response to their organizations’ failure to fulfil its promised commitments. Kickul et al.’s findings (2002) suggested that employees with a TPC are more likely to partake in anti-citizenship behaviours, such as talking excessively with co-workers when they should be working and taking frequent or extra long breaks to avoid their own work; that is to say, behaviours characteristic of the Neglect response. The nature of HPD suggests that this should be the case, as HPD individuals are highly influenced by the norms of conflict avoidance and dutifulness toward organization; they are, therefore, more likely to exhibit passive and destructive behaviours such as Neglect in order to restore the status quo and regain a sense of equity when they perceive non-fulfilment by the organization (Leck and Saunders, 1992; McLean Parks and Smith, 1998).

CONCLUSION

In general terms, this research adds to studies that have explicitly considered the influence of an individual’s socio-cultural values on the PC (e.g. Chao et al., 2011), as well as studies that have explored other variables as influences on response to non-fulfilment by the organization (e.g. Kickul and Lester, 2001 – equity sensitivity; and Herriot and Pemberton, 1996 – distribution of power). Specifically, the findings add to the PC literature in that they illustrate a relationship between predominant PC type and PDO orientation as factors of influence in shaping an employee’s behavioural response to non-fulfilment by the organization of its PC obligations. On this point, it should be acknowledged that the relationships represented in the theoretical model and subsequently supported empirically in the study are simple, and intended to be so. However, this leaves the door open for future studies examining employee responses and the influence of bilateral (or multilateral) interactions between PC type and a broader and more complex set of contextual variables (e.g. organizational culture, ethical climate) and individual level-characteristics (e.g. organizational commitment, union commitment, job involvement, and personality traits). On a practical level, the findings also have potential value for organizations and human resource managers by providing insights that can be used to improve managerial understanding of diversity in the employment relationship and help create and sustain positive and healthy organization-employee relationships.

Several limitations of this study should be noted. The study sample comprised students at an Australian university, and consequently the results observed may reflect certain specific characteristics in respect of PC type and PDO. As such, in order to improve generalisability, replication of this study with other employee samples with a broader range of demographic characteristics could be pursued. Secondly, Chi-square and CCA do not measure causality, although the latter does allow for the strength of the relationship between predictor and criterion variable sets to be determined. Finally, all variables were measured with a self-report survey instrument which raises concern about common method bias, and the possibility of respondents under-reporting the frequency of the destructive behaviours of Exit and Neglect in order to portray a favourable image. Therefore, future studies should consider alternative data collection processes.

This study addresses acknowledged gaps in the research literature by considering the links between PC type, the individual’s orientation to the distribution of power and resources in the organization, and the behavioural responses of Exit, Voice, Loyalty and Neglect. The results indicate that PC type and PDO combine as hypothesized to shape an employee’s behavioural response to perceptions that the organization has not ‘lived up to its side of the deal’.

REFERENCES


Conway, N. and Briner, R.B. (2009) Fifty years of psychological contract research: What do we know and what are the main challenges? In G.P.Hodgkinson and J.K.Ford (Eds) International Review of


