Chapter 1

Introduction
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1.1 BACKGROUND

With the advent of globalization, and employment of diverse workforce, combined with rapid changes in the internal and external environment, organizations face complex challenges in terms of maintaining a harmonious relationship between employer and employees. There is an increasing fragmentation and feminization of the workforce making it complex for organizations to understand the varied needs and expectations of employees. Rapid changes in the social structure of organizations and society has lead to shifts in employee’s expectations and aspirations both implicit and explicit, making it necessary to reexamine the concept of psychological contract (PC). Psychological Contracts has emerged as one of the significant conceptual and empirical framework to explain complex employee-employer relationship. However, existing empirical framework available to validate PC is primarily focused on only employee perspectives. Further, the content, assessment tools, and factors to measure PC remained constant over a time span. In this research, an attempt has been made to expand the scope of PC to include employer perspective as well as explore new additional factors. Studies exploring employer – employee relationships through PC framework have remained focused only on the antecedents and precedents of PC. Whereas, in this study besides studying organization citizenship behavior and organization effectiveness as an outcome of PC. An attempt has been made to explore the nature of psychological contract, organizational citizenship behavior (OCB), and organizational effectiveness (OE). There is sufficient evidence to suggest that organizational citizenship behavior influence the organization effectiveness through employee-employer relationship. Studies on OCB in the past tended to focus on the relationship between OCB and various organizational variables rather than studying the nature, mechanisms, and factors of OCB. There are only limited studies exploring the relationship between psychological contract (PC), organizational citizenship behavior (OCB) and organizational effectiveness (OE). As such there isn’t any validated tool available to measure PC and OCB in a comprehensive manner. In this
research an attempt has been made to, (a) develop and validate measurement tools (questionnaire) on PC and OCB; and (b) empirically evaluate the relationship between PC, OCB and OE in organizations. The coming sections will discuss the major variables of the research and the objectives of the research in detail.

1.2 PSYCHOLOGICAL CONTRACT

1.2.1 Concepts and Definitions

PC refers to mutual and implicit relationship between employee and employer (or agents of employer). Psychological contract is a multidimensional construct, which is subjective, perceptual, ever changing, and is based on individual beliefs, expectations and obligations. Beginning with the work of Argyris and Levinson (1960), they introduced the term “psychological work contract” emphasizing the implicit relationship between the leader and subordinates as a consequence of the leadership style used by the leader. The work was further extended by Levinson and Schein (1965, 1970 and 1980), they emphasized upon the relevance of PC for managing employee behavior in organization. According to Schein, employee and organization have multiple expectations from each other and they keep on changing. Further, Gibson theory (Gibson, 1996) attributed employee absence behavior to the contractual relationship. Thereafter, the work on PC was limited. The work on PC geared up with seminal work by Rousseau (1989). She described PC as an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between the parties involved. Further, the concept is rooted in the social exchange theory and norms of reciprocity. The formation of psychological contract is complicated combination of an individual’s pre notion of employment relations and post joining experience in the organization. These pre-notions are influenced by an individual background, societal culture, and various institutions of the society. The current reach considers the pre-joining expectations of the employee and post joining experience of met expectations. The PC further gets shaped in the recruitment and selection process when the employee comes into the first contact with employer. Once the employee enters into the organization the PC is influenced by numerous individual factors and organizational factors and the PC fulfillment thereon lead to various organizational
outcome. The current research considers the organization citizenship behavior and organization effectiveness as an outcome variable to PC. There is a body of research linking psychological contract and organization citizenship behavior. Since, the research attempts to use instruments with unexplored dimensions of both PC and OCB, there is need to examine the relationship between PC and OCB. The organizational effectiveness has been conceptually argued to be linked with PC. However, according to best of the knowledge of the researcher, there is no study which empirically links PC to OE. The employee PC in itself is not sufficient to make a conclusion about an organization’s overall PC. Therefore, there is a need to consider employer PC. The employer PC is formed on the basis of organization’s vision, mission, values, larger goals, strategy, and the culture of the organization. The research has chosen managerial level of employees to measure the employer PC. Manager level employees are chosen because the organization’s vision, mission, goal statement, and strategy determine the design of HR policies which includes recruitment strategy, training plan, performance appraisal, performance management, compensation strategy, and competence development. The goal statements are cascaded down through various channels of the organization. The HR systems and procedures are automated as per the larger goals. Gradually, all these factors determine the employer expectations from the employee through senior members of the organization. Therefore, the expectations of all the senior representatives in aggregate form the employer’s PC.

1.2.2 Antecedents of Psychological Contract

A large number of studies on PC examined the antecedents of PC. Some of the antecedents of PC include age (NG and Feldman, 2009), gender (Suazo, 2009), tenure (Jong, Schalk, Cuyper, 2009), personality (Raja et al., 2004), self-esteem (Judge and Bono, 2001), cultural orientation (Thomas, Au, and Ravlin, 2003), occupational work group (Ellis, 2007), employee designation (Atkinson and Cuthbert, 2006), organization change (Bellou, 2007), organizational culture (Song et al., 2009), ownership (Lyons, Duxbury, and Higgins, 2006), power and politics (Keiwitz, Restubog, Zagenczyk, and Hochwarter, 2009), societal culture (Rousseau and Schalk, 2000), workplace familism (Restubog and Bordia, 2006), leadership (Wang, Law,
Hackett, Wang, and Chen, 2005; Uhl-Bien, Graen, and Scandura, 2000; Chen, Tsui, and Zhong, 2008), justice and fairness (Battisti, Fraccaroli, Fasol, and Depolo, 2007, Thompson and Heron, 2005), trust (Zhao, Wayne, Glibkowski, and Bravo, 2007), perceived organization support (Kiewitz et al., 2009, Buchanan, 2008), and communication (Morrison and Robinson, 1997).

1.2.3 Outcomes of Psychological Contract

The relevance of PC is largely because of its potential to influence various organizational outcomes. For instance, PC or PC breach could lead to turnover intention (Suazo et al., 2005, 2009), organization citizenship behavior and in-role performance (Ye, Cardon, and Rivera, 2012; Chen, Tsui, and Zhong, 2008), organizational commitment (Agarwal, 2011; Grimmer and Oddy, 2007), job satisfaction (Deery, Iverson, and Walsh, 2006), work engagement (Yeh, 2012), innovative work behavior (Ramamoorthy, Flood, Slattery, and Sardessai, 2005), cynicism (Johnson and Leary-Kelly, 2003), mood and emotion (Conway and Briner, 2002), exit, voice, loyalty, neglect, and violence (Lemire and Rouillard, 2005), corruption (Kingshott and Dincer, 2008), organization effectiveness and organizational performance (Restubog, Bordia, and Tang, 2006; Conway and Briner, 2002), individual effectiveness (Zhao et al., 2007), and actual turnover (Kacmar, Andrews, Van Rooy, Steilberg, and Cerrone, 2006). The work is limited when it comes to comprehensively linking PC with OCB, and OE. Further, some of the subjective indicators of OE like job satisfaction and morale do have been studied in context to PC, but these variables have been studied in isolation. Most of the research in the area of demographic variables like age, education, experience, marital status, and experience are very limited. Researcher could only find two articles published so far on PC, age, and experience. Though, conceptually and theoretically they have been linked with PC. The study attempts to extend the work by testing it quantitatively. The review does not mention about empirical measurement of employer PC. Further, the review is silent on whether PC fulfillment is about what is offered to the employee irrespective of whether it is expected or not expected or is it about fulfillment of what is expected? The researcher attempts to fill in these gaps by means of developing a PC instrument. As mentioned that organization citizenship behavior and organization effectiveness are two critical outcomes of psychological contract. The coming section will discuss these concepts in detail.
1.3 ORGANIZATION CITIZENSHIP BEHAVIOR

1.3.1 Concepts and Definitions

The second major variable of the current research is organization citizenship behavior (OCB). The review of literature is full of studies linking PC and OCB in various combinations and context. The term was first coined by Bateman and Organ (1983). The history of OCB is rooted in Katz’s work (1964), he studies innovative and spontaneous behavior beyond role prescriptions and it distinguishes between high and low performers. Barnard (1938) characterized effective organizations as systems in which individuals cooperate to reach organizational ends. Barnard highlighted the magnitude of maintaining the balance between inducements and contribution. The effectiveness of the organization is dependent upon the employees’ contribution to the organization and the organization inducements towards the organization. Blau (1964) proposition of OCB is based upon the social exchange theory. Katz and Kahn (1966) extended the previous work and stated that effective organizations must evoke three different forms of contributions from employees for successful functioning of the organization: They must (a) attract and hold people within the system, (b) ensure that members exhibit dependable role performance, meeting and preferably exceeding certain minimal qualitative and quantitative criteria, and (c) evoke innovative and spontaneous behavior, performance beyond role requirements for accomplishments of organizational functions (p. 337). Katz extended Barnard’s observations on cooperative actions with the introduction of the concept of extra-role cooperative behavior. Katz emphasized that there must be innovative and spontaneous activity beyond the role specifications to achieve organizational objectives.

Researchers therefore link Organs’s work on OCB to Barnard work on cooperative behavior. Terminologies like “willingness to cooperate” (Barnard, 1938), “organizational loyalty” (Hirschman, 1970; Hage, 1980), “organizational commitment” (Mowday et al., 1982), and “extra-role behaviors”, (Van Dyne et al., 1995), “contextual performance” (Borman and Motowidlo, 1993), and “prosocial organizational behavior” (Brief and Motowidlo, 1986) are used to conceptualize the cooperative behavior. Some of the authors have gone ahead and differentiated these terms from actual OCB behavior.
The concept of OCB and related concepts like extra-role behavior (Van Dyne, Cummings, and Parks, 1995), prosocial organizational behaviors (Brief and Motowidlo, 1986; George, 1990, 1991; George and Bettenhausen, 1990; O’Reilly and Chatman, 1986), organizational spontaneity (George and Brief, 1992; George and Jones, 1997), and contextual performance (Borman and Motowidlo, 1993, 1997; Borman, White, and Dorsey, 1995; Motowidlo and Van Scotter, 1994) did not have any substantial impact in its initial year.

Most of the empirical work on OCB is limited to studying the relationship between OCB and related constructs rather than examining the nature of OCB. The work is more focused upon substantive validity, rather than on construct validity. There is a need to develop comprehensive theoretical explications of the constructs and their measures (Schwab, 1980; Van Dyne et al. 1995). The current research will attempt to fill these gaps by creating an instrument which goes beyond the measurement of OCB contents.

OCB is believed to have positive impact upon the organization. There is a consensus among researchers that OCB is voluntary, it benefits people and organization, and it is not part of the formal system of the organization. Here, the current research differ, it says that measurement of contents of OCB (like helping behavior, compliance, sportsmanship, loyalty, initiative, civic virtue, self development, and development) is not sufficient to examine the OCB. The results might be misleading. Further, employees have various reasons to display OCB ranging from impression management, employee perception of link between OCB and performance evaluation, predisposition of an employee, and the reciprocal causation relationship among separate but related individual characteristics (e.g., cognitive and affective traits), behavior (e.g., those behaviors that produce outcomes) and environment (e.g., the social structure), and extrinsic and intrinsic subsystem (Deci, 1971). The crux of the current research lies here only. The research argues that it is important to consider these reasons before making any conclusion about OCB. The display of OCB due to any of the mentioned reason above would fall into some other category of organizational behavior rather than OCB. In this process the concept of pseudo OCB also emerged that is employee belief that they are high on OCB either out of false self-prophecy or simply attempt to project them as favorable (Snell and Wong, 2007).
1.3.2 Antecedents of Organization Citizenship Behavior

There is a body of research on antecedents of OCB. The antecedents of OCB include age (Pettit, Donohue, and Cieri, 2004), gender (Spector and Fox, 2002; Diefendorff et al., 2002), tenure (Pettit, Donohue, and Cieri, 2004; Thau et al., 2004), ability, experience, and knowledge (Murphy et al., 2002), materialistic attitude (Torlak and Koc, 2007), career orientation (Chompookum and Derr, 2004), personality (Comeau and Griffith, 2005; Wayne et al., 2004 and Groth-Marnat, 2003), ethics (Turnipseed, 2002), morale (Podsakoff et al., 2000), trust (Fassina et al., 2008; Ertu’rk, 2007), perceived job mobility (Thau et al., 2004), ethnicity (Koberg, 2005), accountability (Frink, Hall, Perryman, Ranft, Hochwarter, Ferris, and Royle, 2008; Hochwarter, Ferris, Gavin, et al., 2007), organization structure (Podsakoff et al., 2000), social structure (Nelson, 2001; Nohria and Gualti, 1994), employee position (Lamertz, 2006), structural interdependence (Nielsen et al., 2002; and Wageman, 2001), culture (Frenkel and Sanders, 2006), group cohesion (George and Bettenhausen, 1990), WLB programmes (Lambert, 2000), job satisfaction (Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Somech and Drach-Zahavy, 2000; Spector and Fox, 2002; Murphy et al., 2002; Organ and Konovsky, 1989; Organ and Ryan, 1995, and Smith et al., 1983), leadership (Podsakoff et al., 1996, 2000; Ehrhart, 2004; Appelbaum, Bartolomucci, Beaumier, Boulanger, Corrigan, Dore, Girard, and Serroni, 2004; Bhal, 2006; Lepine et al., 2002), organization justice (Moorman, 1991; Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Somech and Drach-Zahavy, 2000; Spector and Fox, 2002; and Zellers et al., 2003), organization commitment (Bishop et al., 2005; De Lara and Rodriguez, 2007; Liden et al., 2003; Shore and Wayne, 1993; Van Dyne and Ang, 1998; Bateman and Organ, 1983; O’Reilly and Chatman, 1986; Organ, 1990; Puffer, 1987; Smith, Organ and Near, 1983), perceived organization support (Rhoades and Eisenberger, 2002; Van Knippenberg and Sleebos, 2006), public service motivation (Kim, 2000), task characteristics (Organ et al., 2006; Levy, 2001; Spector and Fox, 2002; Thompson and Werner, 1997; Kidwell, 1997, and Podsakoff et al., 2000), role perception (Podsakoff et al., 2000), rewards (Yap, Bove, and Beverland, 2009, and Becton, Giles, and Schraeder, 2008), communication (Frenkel and Sanders, 2007), and person-organization fit (Chandrukamara, 2007; Hoffman and Woehr, 2006).
1.3.3 Outcomes of Organization Citizenship Behavior

The definition of OCB itself speaks of its importance largely because it is connected to organizational performance. Though, the consequences of OCB are not limited to the organization performance. The organizational outcomes of OCB extends to customer satisfaction (Yoon and Suh, 2003; Castro, Armario, Ruiz, 2004; Hansen et al., 2003), employee turnover (Moorman, 1991; Organ and Konovsky, 1989; Podsakoff et al., 1990; Smith et al., 1983), turnover intention (Khalid and Ali, 2005; Chen et al., 1998), organization performance and organization effectiveness (Podsakoff et al., 2000; Borman and Motowidlo, 1993; Organ and Konovsky, 1989; Lo, Ramayah and Kueh, 2006; Walz and Niehoff, 2000), service quality (Bienstock et al., 2003), worker well being (Hodson 2001), absenteeism (Khalid and Ali, 2005), and withdrawal behavior (Koslowsky and Dishon-Berkovits, 2001). Organization effectiveness is the common outcome of both psychological contract and organization citizenship behavior. The coming section will discuss organization effectiveness in detail.

1.4 ORGANIZATIONAL EFFECTIVENESS

1.4.1 Concepts and Definitions

There exists no common accepted definition of Organization effectiveness. Organization effectiveness is a construct (Kaplan, 1975; Kim Cameron, 1981; Cameron and Whetten, 1983) Constructs are perceptions and products of the mind. “Organizational effectiveness is not one, two, or three anythings. It exists in different forms in the minds of the various people, groups, and cultures who are directly affected by the organization, including customers, share-holders, employees, clients, suppliers, directors, dealers, legislators, and retirees” (Ott and Shafritz, 1994, p. 370). Different school of thoughts has different definition and measurement criterion of organization effectiveness. This has been reviewed in detail in the next chapter (Chapter 2).

Organization effectiveness could be understood from the perspective of various management schools of thoughts. Different management orientations have got different focus and measurement criterion concerning organization effectiveness. Like mentioned before, the current research assumes that there is no singular definition of organization effectiveness. Also, in context of PC and OCB, review largely considers
the subjective indicators of OE like job satisfaction and morale that too in isolation rather than examining from the effectiveness perspective. Therefore, financial indicators of the organizations are considered as parameters of effectiveness.

1.4.2 Antecedents of Organization Effectiveness

1.4.3 Outcomes of Organization Effectiveness

Various studies have treated organization effectiveness as the end variable, leading to a big question “does organization effectiveness have an outcome variable”? To explore this exhaustive review was conducted. The researcher could not find any outcome variable to organization effectiveness.

The study proposes to examine the possibility of PC and OCB independently influencing OE or OCB mediating the relationship between PC and OE.

In the following part of the chapter, a theoretical model linking PC, OCB and OE is illustrated and the objectives of the research are explained.

1.5 CONCEPTUAL MODEL OF THE RESEARCH AND RESEARCH OBJECTIVES

The review of literature offers limited contents of psychological contract and organization citizenship behavior. Therefore, the current research attempts to expand the contents of psychological contract. Further, the psychological contract has been measured from employee’s perspective. There is need to capture the employer’s perspective. While measuring psychological contract most of studies consider the experience of met expectations (obligations, beliefs), the research argues that there is need to examine the met expectations of the employee/employer in relation to the expectations.

The organization citizenship behavior instruments/measures in review consider the voluntary organization citizenship behavior of the employee. There is need to analyze the organization citizenship behavior from driving factors behind the display of organization citizenship behavior. The research argue that beside the voluntary OCB, an employee display the OCB due to normative pressure of the organization. Further, it cannot be denied that contents of OCB might be part of the formal systems, processes, and procedures of the organizations.

The current research in coming section will attempt to fill these gaps through the instrument development of psychological contract and organization citizenship behavior.
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1.5.1 Overall Research Objectives

1. To develop the psychological contract and organization citizenship instruments.

2. To test the hypothetical model linking PC, OCB, OE, and demographic variables under consideration using the developed instruments.

The research study was undertaken in two stages: (a) PC and OCB Instrument development and validation; (b) Empirical validation of the hypothetical model (of relationship between PC, OCB and OE) using a series of hypotheses.

1.5.2 STAGE 1: Instrument Development

1.5.2 (a) Psychological Contract Instrument Development and Validation

The research through instrument proposes to capture the PC from employee and employer perspective, separately. The instrument attempts to measure, employee’s perspective in terms of pre-arrival expectations, experience of met expectations after joining, and PC fulfillment. Similarly, another set of questions would assess employer PC by measuring the pre-hiring employer expectations, and experience of met expectations after hiring the employee, and PC fulfillment. The comprehensive proposed model of the PC instrument is given in figure 1.1.

![Proposed Psychological Contract Instrument Model](image-url)
1.5.2 (b) Organization Citizenship Behavior (OCB)

Conventional measures of OCB tended to measure only the voluntary aspects of OCB. An employee may choose to exhibit a particular behavior (OCB) due to strong norms of the organization rather a self-chosen behavior, which is the core element of OCB. The current research argues that OCB is performed because of norms (normative OCB) of the organization and laid out roles and responsibilities (rule bounded OCB) other than predisposition. The current research argues that employer characteristics like leadership, diversity in the top management will influence employee’s tendency to display OCB through culture and the implicit communication coming from top management. These factors direct an employee to display N-OCB as per the culture of the organization. Hence the research proposes there dimensions of OCB: (a) voluntary OCB, (b) normative OCB, and (c) rule bounded OCB. The proposed instrument model of organization citizenship behavior is presented in figure 1.2.

![Proposed Organization Citizenship Behavior Instrument Model](image-url)

**Figure 1.2: Proposed Organization Citizenship Behavior Instrument Model**

1.5.3 STAGE-2: Testing of Hypothesis

1.5.3 (a) Overall Research Model

The broad research model proposes to link psychological contract, organization citizenship behavior, and organization citizenship behavior. It attempts to explore the
possible relationship between PC, OCB, and OE. The proposed overall research model is given in figure 1.3.

![Proposed Research Model](image-url)

**Figure 1.3: Proposed Research Model**

1.5.3 (b) Hypothetical Model

The study investigates the relationship between PC, OCB, and OE by analyzing the variation of these variables in effective and less effective organization. The previous work does not measure PC and OCB against financial indicators of OE. Further, the hierarchical regression analysis is employed to test the predicting power of PC (independent variable) and OCB (dependent variable), PC (independent variable) and OE (dependent variable), OCB (independent variable) and OE (dependent variable), personality (independent variable) and PC (dependent variable), and personality (independent variable) and OCB (independent variable). The research also analyzes the relationship of PC and OCB with demographic variables including gender, age, marital status, experience and education. The study examines the balanced PC among effective and less effective organization by drawing comparison between employer and employee PC. The less the difference between employee and employer PC, the greater would be the balanced PC. The hypothetical model is given in figure 1.4. The analysis is followed by firm level analysis to support and verify the hypothetical model.
Further, the research attempts to capture the link between three major variables of the research: (a) psychological contract, (b) Organization citizenship behavior, and (c) organization effectiveness using the developed instruments. In order to carry out the objectives of the research, the research document presents seven chapters. The Chapter 2 highlights the origin, theoretical roots, types, typologies, dimensions, challenges, issues, measurement criterion, antecedents, and consequences of the variables. The detailed information related with objectives, hypothesis statements, research design, hypothetical model, instrument models, sample profile, procedure and research methods used is presented in Chapter 3. The chapter 4 provides detailed statistical analysis of PC and OCB instrument. Chapter 5 provides the results of the hypothetical model proposed for testing. The chapter also analyzes the results. The findings of the current research are discussed and interpreted in the Chapter 6. Finally, the chapter 7 states the conclusion, research contribution, managerial implication, and scope for future research of the current research.

Figure 1.4: Proposed Hypothetical Model of the Research

1.6 OVERVIEW OF THE STUDY

The study largely deals with developing and validating PC and OCB instruments. Further, the research attempts to capture the link between three major variables of the research: (a) psychological contract, (b) Organization citizenship behavior, and (c) organization effectiveness using the developed instruments. In order to carry out the objectives of the research, the research document presents seven chapters. The Chapter 2 highlights the origin, theoretical roots, types, typologies, dimensions, challenges, issues, measurement criterion, antecedents, and consequences of the variables. The detailed information related with objectives, hypothesis statements, research design, hypothetical model, instrument models, sample profile, procedure and research methods used is presented in Chapter 3. The chapter 4 provides detailed statistical analysis of PC and OCB instrument. Chapter 5 provides the results of the hypothetical model proposed for testing. The chapter also analyzes the results. The findings of the current research are discussed and interpreted in the Chapter 6. Finally, the chapter 7 states the conclusion, research contribution, managerial implication, and scope for future research of the current research.