Chapter 2

Review of Literature
CHAPTER 2
REVIEW OF LITERATURE

This chapter discusses the work done on psychological contract, organization citizenship behavior, and organization effectiveness from the early history to the recent work. It will detail out the historical roots, theoretical perspectives, types and typologies, measures, antecedents, and consequences of the psychological contract, organization citizenship behavior, and organization effectiveness.

2.1 PSYCHOLOGICAL CONTRACT

2.1.1 Early History

The history of PC goes back to 70 years. It was in 1960 when Argyris and Levinson introduced the term “PC”. Argyris studied PC in context to leadership style used by the superior. The term “Psychological Work Contract” emphasize the implicit relationship between the leader and subordinates as a consequence of the leadership style used by the leader.

This concept was evolved from the Barnard’s theory of equilibrium in 1938. This theory emphasized upon the equilibrium in relationship between parties involved. According to equilibrium theory each employee receives organization inducement in the form of rewards and pay (etc.) and employee make contribution in terms of doing job as per the norms of the organization. The employee will continue to participate in this exchange as long as organization inducements are greater than or equal to contribution made by the employee. Barnard highlighted the magnitude of maintaining the balance between inducements and contribution. The effectiveness of the organization is dependent upon the employee’s contribution to the organization and the organization inducements towards the organization.

Inducements include material inducements like personal non-material opportunities, desirable physical conditions, ideal benefactions, associational attractiveness, opportunities for enlarged participation, and the condition of communion (1938, p. 142).
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The equilibrium model of Barnard was further expanded by the inducement-contribution model of March and Simon (1958). This model discussed the nature of exchange which influences the decision of employees to participate in an organization. Employee participates with organization when there is an agreement over written and unwritten terms on joining.

Blau (1964) came out with the social exchange theory and defined the social interactions. Blau theory was based upon the proposition that social interaction has value to people, and he explored the forms and sources of this value in order to understand collective outcomes, such as the distribution of power in a society. He argued that contrary to economic exchange social exchanges tend to be long-term and social exchange lacks objectivity regarding the exchange of contribution between the parties. This lack of objectivity leads to escalation of social exchange as people strive to stay out of “debt” not only because of the norm of reciprocity but also because of the benefits which these social exchanges provide to parties involved. As Peter put it, “An apparent ‘altruism’ pervades social life; people are anxious to benefit one another and to reciprocate for the benefits they receive. But beneath this’ seeming selflessness an underlying ‘egoism’ can be discovered; the tendency to help others is frequently motivated by the expectation that doing so will bring social rewards” (Blau, 1964, p. 17).

The exchange is initiated when either of the party offers something valuable to another party. This valuable thing could be tangible or intangible like favor or gesture of respect, admiration, or support. The value offerings are subjective and dependent upon the status and position of the party. For example, praise and gifts from people holding significant positions in the society are more valued than people low on status in society. When someone receives anything favorable in exchange is likely to feel obligated and tend to reciprocate. However, neither of the party is in position to decide upon the schedules of reciprocation. Reciprocation is based upon how much the party’s value exchange. If parties see exchange as favorable and valuable, there would be increase in the interaction among the parties. Initially the parties would be managing the exchange in terms of reciprocation. However, gradually this would be replaced by general understanding and feeling of valuable relationship. At this stage
the relationship is beyond exact “balancing of the books”. The relationship becomes open-ended in terms of duration, followed by anticipation of the continuity of relationship from both the parties. The scenario is little different in case of organization as most of the exchange between organization and agents are economic or transactional in nature. The employment relationship is contractual based upon employee promising to perform prescribed duties on the agreed in return of basic pay, benefits, and privileges. However, in the process of interaction a pattern of social exchange develops. The relationship which organization and employees develop with each other internally and externally is often a combination of economic and social exchange. In the contractual relationship, due to explicitness of the contract there is understanding over mandatory inducements and obligations. If any of the party perceives these inducements more than what was agreed upon, the other party tend to balance or pay back contribution by exhibiting obligation beyond the contractual relationship. This could happen between employee and the supervisor (who is viewed as agent of the organization), employee and colleague and external agents. When employees, colleagues and managers go beyond the contractual terms produce a feeling of personal or corporate sentiment of indebtedness. Thus, parties involved attempt to reciprocate with forms of supportiveness beyond the agreed upon terms.

Extending the literature to the work done directly on the concept of psychological contract, Levinson, (1962, p. 21) stated PC as “A series of mutual expectation of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other”. Levinson identified different types of employee expectations like sub-conscious expectation and conscious expectation. Schein (1965, 1970, and 1980) extended the concept of PC by emphasizing upon the relevance of PC for managing employee behavior in the organization. According to Schein, employee and organization have multiple expectations from each other. These expectations keeps upon changing from time to time and hence require regular attention and contract re-negotiations. Schein highlighted the implicit nature of PC and elaborated inducement-contribution model. Schein established the link between PC and organization roles in context to the nature of expectation between employer and employee.
Schein argued that formation of PC at its initial stage is largely determined by inner needs and desires of an employee, socialization from the immediate environment, norms, and past experience. However, the formation of PC is not limited to these factors. There are numerous other variables which play a significant role in the formation of “Work Psychological Contract” (Schein, 1980). Further, Kotter’s (1973) specified expectation of both employee and employer. The scope of incongruence between employee and employer expectation of PC was examined. He introduced the notion of “matching” expectation and the compromise of expectation as “matched” or “mismatched” expectation. Kotter emphasized the mismatches of employee getting more than expected cause problems equivalent to mismatches that give employees less than expected.

Portwood and Miller (1976) proposed a model of PC where individual expectation from the employment relationship is influenced by factors such as individual needs, attitude towards work, relevant job knowledge and experiences. Similarly, an organization’s expectations are influenced by policies, management practices, performance. They suggested that match between individual’s expectation and job reality, will be positively related to the individual’s job satisfaction, commitment, and productivity.

After the early work on PC, limited attention was paid to PC. Rousseau is credited with re-introducing the concept of PC. Rousseau (1989) initially described PC as an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between the parties involved.

2.1.2 Defining the Concepts and Definitions

Various authors have defined the psychological contract differently. Some of more definitions of psychological contract are:

“Unwritten set of expectations operating at all times between every member of an organization and the various managers and others in that organization” (Schein, 1980, p. 8).

“A promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations. An individual’s belief
regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party.” (Rousseau, 1989, p. 123).

“The bundle of unexpressed expectations that exist at the interfaces between humans” (Spindler, 1994).

“The perception of both parties to the employment relationship, organization and individual, of the obligations implied in the relationship. Psychological contracting is the process whereby these perceptions are arrived at” (Herriot and Pemberton, 1995).

“Individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization” (Rousseau, 1995, p. 9).

“The perceptions of both parties in the employment relationship and the obligations implied in the relationship” (Herriot and Pemberton, 1997, p. 45).

“Expectations held by the individual employee that specify what the individual and the organization expect to give and receive from one another in the course of their working relationship” (Armstrong and Murlis, 1998, p. 22).

“The mutual expectations held by employees and their employers regarding the terms and conditions of the exchange relationship” (Kotter, 1973; Rousseau and Tijoriwala, 1998).

“The perception of both parties to the employment relationship, organization and individual, of the reciprocal promises and obligations implied in that relationship” (Guest and Conway, 2002, p. 22).

On the basis of the above definition, following features of psychological contract emerges:-

- Psychological contract is a multidimensional construct.
- Psychological contract is dynamic and ever changing.
- Psychological contract refers to relationship between employee and organization or organization’s Agent.
- Psychological contract is mutual.
- Psychological is explicit and implicit, but largely implicit.
- Psychological contract is subjective.
• It is perceptual.
• It is based upon individual beliefs.
• These beliefs might or might not be related to actual reality.
• It involves expectations and obligations from both employee and employer side.

In the current research psychological contract is referred as mutual, implicit, perceptual relationship between employee and organization (employer) or organization’s agent. It is a multidimensional construct, dynamic, and ever changing based upon individual beliefs. It involves expectations and obligations from both employee and employer side.

In the current research psychological contract is conceptualized as the implicit agreement which connect an employer and employee. It is the mutual exchange of promises between the employer and employee during hiring process and the actual exchange between the employee and employer which takes the form of expectations and obligations. These expectations and obligations are influenced by prior socialization and shared beliefs of society, organization, professional groups, and information about the employment relationship. Employee and employer revise their expectations and obligations from each other with the flow of information. It is the dynamic nature of PC which requires timely renegotiation of the contract. Employee expect employer to provide career development, rewards and recognition, social climate, work life balance, compensation, freedom to quit, job content and respect and dignity. On similar lines employer expect the employee to fulfill the following expectations: performance, promotability, compliance, adherence to norms, flexibility, and adaptability.

Followed by definitions the work on psychological contract is extended to the various types and typologies. The dimensions and typologies of PC are explained in the following paragraphs.

2.1.3 Dimensions and Types of Psychological Contract

PC has been seen from various lenses by researchers. PC is categorized into various types, dimensions, and typologies. Focus and emphasis on different aspect led to the emergence to different types and dimension of PC.
2.1.3 (a) Rousseau’s (2000) Four Types of Psychological Contract

Rousseau differentiated four types of PCs, their sub heads on the basis of contents and measurability with high convergent and discriminant validity. The first one is the relational PC; it is based upon mutual trust, loyalty, long term, and open ended in nature. Rewards are based upon the association with the organization. The relational PC comprises of stability and loyalty. Employment relationship with relational PC is characterized by employee obligation to remain with the firm and to do what is required to keep the job. Employer on the other end commits stable wages and long-term employment. In relational PC employees are obligated to support the firm, manifest loyalty and commitment to the organization’s needs, and exhibit organizational citizenship behavior (OCB). In exchange employer promises to support the well-being and interests of employees and their families.

The second one is balanced PC, it is based upon dynamic and open-ended employment arrangements conditioned to economic success of the organization and worker opportunities to develop career advantages. Employer and employee contribute highly to each other’s learning and development. Rewards to employees are based upon performance and contributions to firm’s comparative advantages in face of changing demands due to market pressures. The major sub contents are: external employability, internal advancement, and dynamic performance. The employer is obligated to develop employee’s career according to the external labor market and in exchange employee is obligated to develop marketable skills to enhance organization’s competitive advantage. Employer contributes by enhancing employee’s long-term employability within and outside the organization. Internal advancement concerns development within an internal labor market. Employee is obligated to advance the skills valued by the current employer and in exchange employer create worker career development opportunities within the firm. In context to dynamic performance, employee is obligated to successfully perform new and more demanding goals as per the changing requirements of the employer to help the employer become and remain competitive. Employer in exchange promotes continuous learning and help employees escalate the performance requirements. The third type of PC is refereed as transactional PC; it is defined as short-term employment arrangement,
primarily focused upon economic exchange; specific, narrow duties, and limited employer involvement in organization. Employee is obligated to perform only a limited and defined set of duties and do only what he or she is paid to do. Employer’s involvement is limited to employees in the organization with little or no training for employee development. Employee is not obligated to remain with the firm for a long time. Employer also on other hand offers employment for only a specific or limited time and not obligated to future commitments. The last one is transitional PC; Rousseau says that transitional contract is not a PC in itself but a cognitive state reflecting the consequences of organizational change and transitions that is contrary to an already established employment arrangement. Transitional PC comprise of mistrust, uncertainty, and erosion. Employee believes that the employer sends inconsistent and mixed signals regarding its intentions and therefore employee mistrusts the employer. Employer withholds important information from employees and do not trust the employees. Employee is uncertain regarding the nature of his/her own obligations to the employer. Employee expects to receive fewer future returns from his/her contributions to the employer compared to the past and anticipate continuing decline of employer’s contribution in the future. Employer institute changes that reduce employee wages and benefits, eroding quality of work life compared to previous years.

2.1.3 (b) Shore and Barksdale (1998)’s Typology of Psychological Contract

The Shore and Barksdale (1998)’s typology is based upon the obligation and contribution from both employer and employee. This typology is characterized by both degree of balance and level of obligation. They based the PC in two broad categories: - balanced PC and unbalanced PC.

The authors base their typology on the level of obligations perceived by both the employer and the employee. A low-level of employer’s obligations, as compared to a high-level, signals that the employee perceives lower fulfillment of obligation. Similarly, a low-level of employee’s obligations indicates that the employer perceives as having few obligations. The combination of employee’s perspective over entitlements and obligation leads to the combination of four types of PCs. The four
types of combinations are categorized along the dimensions of level of perceived obligations and presence of balance in the exchange: mutual high obligations, mutual low obligations, employee under-obligation, and employee over-obligation. PC with mutual high obligations or mutual low obligations is balanced. Employee under-obligation refers to an exchange in which the organization’s obligations outweigh the employee’s obligations, whereas employee over-obligation refers to the presence of substantially more employee obligations than employer obligations.

The typology focuses upon PC as perceived agreement and not just a construct. In mutual low obligation, there exist balanced relationship between employer and employee. The employee in such exchange relationship feels that with limited effort they can maintain the employment relationship and they expect a limited amount in return from the organization.

In similar fashion there are two combinations of unbalanced exchange or relationship between an employer and employee. Shore and Barksdale proposed unbalanced types of agreements to be less common and more temporary in nature. One of the combinations is employer over obligation, employee perceives more employer obligation. An employee feels indebted to the employer due to over obligation from employer. Employee in order to restore the balance in the relationship tries to fulfill more obligations towards employer.

The fourth type of unbalanced relationship consists of low employee obligations and high employer obligations, which authors referred as the employee under-obligation relationship. Employee under such relationship perceives that they have fulfilled their own part of the exchange with the employer and employer has not reciprocated by fulfilling obligations to the employee. This produces a state of unbalanced relationship between an employee and the employer. Employee perceive as contributing more to the employer.

2.1.3 (c) Tsui, Pearce, Porter, and Tripoli (1997)’s Typology of Psychological Contract

Tsui gave a similar kind of typology. Tsui came out with this typology based upon the level of investment by employer and employee through measuring HR practices. The typology contrary to previous is not based upon the perception of employee and
employer. Four types of exchange relationships were identified by Tsui and colleagues: mutual high obligation PC, quasi spot PC, employer over obligation PC, and employer under obligations PC. The mutual high obligation PC refers to mutual high investments from employer and employee sides. This is similar to mutual high obligation type of Shore and Barksdale. This type has high socio economic focus. The quasi spot PC concerns few promissory obligations from employer and employee. This type of PC is characterized by low fulfillment of promises on the part of employee and employer. The first two types of PC are similar to the balanced types of PC consisting of mutual high and low obligation by employer and employee by Shore and Barksdale. Third type of exchange is employer over obligation PC also labeled as employer over investment concerning few promises or limited fulfillment on the part of the employee and many promises or high fulfillment on the part of the employer. The last one is employer under obligation PC (employer under investment) where there are limited obligations on the part of employer and employee fulfilling all the promises. In this type of PC investment of employee in the employment relationship is greater than employer.

2.1.4 Formation of Psychological Contract

2.1.4 (a) Factors influencing the Pre-employment Expectations of Employees

At this stage individual understanding of PC is based upon the past experience and learning in the process of growing up in the society. Employee develops schemas about the employment relationship. Such schemas are largely acquired through prior socialization from high school, society, and knowledge about employment relationship in general. Some of such schemas are employee specific whereas other are general shared beliefs. This happens as some of schemas are specific to profession or societal norms. Professional norms prior to employment relationship have very strong influence in the formation of PC at later stage. Similarly, schemas based upon societal norms and legal system exerts strong influence in the formation of PC. These schemas pertaining to employment relationship provide a frame of reference. Fresher or yet not hired person interprets the employment relationship in the framework provided by these schemas. It is societal culture which provides information regarding legal practices, right, obligations
and entitlements of its members (Stolle and Slain, 1997). Schemes and pre employment may be inaccurate and imperfect. This makes it necessary for the organization to provide precise information about their culture, policies, expectation from employee, and what they can offer back. Beside the background the employer’s previous work experience play a very critical role in the expectations of the employee (Tomprou and Nikolaou, 2011). Further an employee form expectations on the basis of needs, motives, and values. An aggressive employee would prefer to work in aggressive global company rather than family run business organization. Similarly, the family background and religion plays a critical role in forming pre-expectations. Moreover, when an employee develops an opinion about joining a firm he/she, the image of that firm will influence pre-expectations of the employee.

People get into the process of augmenting and discounting the benefits which they receive from the employer on the basis of pre-conceived notion. Schemas provide information about PC forms, PC function, and operation of PC when incomplete information exists regarding the employment relationship.

After the formation of pre employment exchange relationship on the basis of family background, societal culture, educational and social institution, motives, needs, and an employer’s image the recruitment and selection process interacts in the formation of post-employment employee PC. The coming section will highlight the role of recruitment and selection in formation of PC.

2.1.4 (b) Recruitment and Selection

Recruitment is the process of finding out pool of applicants and attracting them to apply for the vacant job. It is during this process that employee first comes into the contact with an organization. The relationship of prospective employee with organization commence with the recruitment process (Rousseau, 2001). The schemas that employees have formed begin at the recruitment stage and influence the future reaction if expectations are not met. The matching of employee and employer expectations during the recruitment and selection process, leads to a healthy and positive relationship. Though, at this stage true PC does not exist but the dynamics of expectation from each other exist at this stage.
During the recruitment process, the review suggests the recruiter in order to attract more and more applicants tend to present the job in favorable terms, which later could be perceived as violation of contract (Sims, 1994). Studies have illustrated the significance of providing realistic job preview (RJP). RJP shape employees perception about the exchange agreements and formation of perception about over all organization (Rousseau and Greller, 1994). Research indicates that RJP enhance an employee adaptation to the job and organization. Providing an accurate picture to the prospective employee about the job an organization serves many purposes. It contributes in reducing breach and violation of contract in future. A candidate may select a job if it matches his expectation and will not if, it is not satisfying enough. RJP provide a better understanding about the job and organization and reduces the gap between expectations and reality.

If during selection process an employee do not agree with exchange terms, an employee is less likely to join. It is during selection process, an organization try to assess an employee’s expectation and provide information about what an organization give and expect from an employee.

Once an employee joins an organization there are plethora of individual and organizational factors which influence the psychological contract. The coming section highlight the critical and recently remerged factors which influence the employment relationship.

### 2.1.4 (c) Socialization

There are only few studies in the literature of PC which address the formation of PC empirically (Robinson, Kraatz, and Rousseau, 1994; Thomas and Anderson, 1998). Thomos and Anderson (1998) explained changes in the PC through socialization. They found significant effect of information acquired and changes in new comer’s expectation about employer inducement during eight weeks after entry. It is social knowledge which impinges on changes in expectations about job security. Role knowledge affects changes in expectations about social/ leisure aspects. The expectations about employer’s inducement increase during socialization process. These finding suggest that knowledge plays a role in PC development and relates socialization with the literature of PC research (Rousseau, 2001; Shore and Tetrick, 1994).
Newcomer is an active agent seeking and processing relevant information through socialization (Bauer, Morrison and Callister, 1998; Morrison, 1993a: 1993b: Ostroff and Kozlowski, 1992). Information seeking helps newcomers to reduce uncertainty and master new environment (Morrison, 1993a). Newcomer use information seeking strategies in order to obtain unknown information about job role and organization (Louis, Posner and Powell, 1983; Morrison, 1993a; 1993b). Information seeking strengthens organization adjustment. Over the period of time employee through information seeking behavior understand the terms and conditions of PC. Exchange of information reduces the probability of perceived contract breach. It facilitates realistic understanding of the employment relationship (Herriot and Pemberton, 1995; Herriot, 1998; Shore and Tetrick, 1994). The period of socialization is characterized by a sense making process. During the socialization process a new comer comes to understand, interpret, and respond to their new environment (Louis, 1980). Sensemaking is the cognitive process through which individual adjusts with enlisting and new information in a coherent way. It is consigned as a coping mechanism to deal with surprises and novelty (Louis, 1980). Sensemaking play a crucial role in the development of attitude and behavior which further leads to the functional outcome from the employee end. Sense making process is viewed as a cyclic process of events occurring over time (Louis, 1980). This begins when future employees enters into an organization with their unconscious and conscious expectations from the future employment relationship. After entry, through experiences, an employee’s expectation and predictions are changed and revised (Louis, 1980).

During the socialization process an individual enters into organization as new comer and have to make sense of the environment. Newcomer acquires information in number of domain relating to task responsibilities, and organization culture. All PCs are dynamic and allowing for adjustment over time (Sparrow, 1996 and Hiltrop, 1995). This change can be motivated by internal or external factors and may vary according to the type of employment relationship (Rousseau, 1995). Newcomer role is of proactive agent. According to Van Maanen and Schein (1979), Organization socialization ‘entails the learning of a cultural perspective…..’ a perspective for interpreting one’s experiences in a given sphere of the work world (p.212).
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The description of sensemaking is a process through which a new comer actively changes and forms their cognitive schema. The revision of cognitive schemas makes it relevant to apply this to PC formation. At entry level most new comers possess partial or limited information about the terms of their employment relationship. Socialization suggests that it is mainly during encounter stage of socialization (first months after entry), that new comers actively test their anticipation against the reality of their new work experiences and information. This is a period of dichotomy which leads to ‘reality shock’ due to difference between anticipation and experience. The differences at this stage come on surface and become apparent (Louis, 1980; Schein, 1978). The process of coping with difference in expectation and reality through active sense making and adaptation of expectations is central during this period (Morrison, 1993a and 1993b). PC formation during this stage is more likely to change as consequences of new comer’s interpretations of their experience.

The employee’s adjustment does not stop at encounter stage (Rousseau, 2000). The lack of knowledge is the driving factor for new comers to actively interpret their initial knowledge and experience as a basis for predicting future course of employment relationship and for changing their expectation to form a complete scheme of PC. The sense making process implies that perception of promises is based upon new comer’s interpretations of their experience in the work setting (Rousseau, 2001).

To understand and assess PC formation it is necessary to investigate the bidirectional influence between newcomer and employer (Coyle-Shapiro and Kessler, 2000). Employees in making contribution confer a benefit to their employer. Following exchange theory, this creates an obligation for the employer to reciprocate (Coyle-Shapiro and Kessler, 2000). To create a state of equilibrium, new comers with a greater perception of their own contribution will increase their perception of what their employee has promised them.

De Vos with colleagues (2003) discussed the change in new comer’s perception about employer’s promises based upon the perception of actual employer inducement. They also change their perception regarding promised contribution to the employer and actual contribution. This indicates that employee takes his experience in the form of
feedback to adapt to the employment relationship. The individual’s adjustment to the organization further occurs during the sixth to twelfth month after entry, that is, the acquisition stage of socialization. During the acquisition stage new comers get better acquainted and familiar with their role and organization setting. This is the stage where the cognitive schemes about the employment relationship stabilizes, develops, and uncertainly about new employment relationship and active sense making reduces.

New comers also learn about level of commitment they have to show to their employer in different areas like performance level, flexibility loyalty, and ethical behavior (De Vos et al., 2003).

The reciprocal adaptation is very critical in assessing the formation of PC. The greater level of perceived employer inducement was associated with a greater level of perceived employee promise over time. Thereby employees consider both contribution and inducement (De Vos et al., 2003). This also supports the validity of the norm of reciprocity (Goulder, 1960) as a central element in explaining the PC formation.

The unilateral adaptation of perceived employer promises to the perception of employer inducements received is stronger during encounter stage than acquisition stage (De Vos et al. 2003). Reciprocal adaptation of perceived promises to the interpretations of experiences occurred to the same extent at both stages.

There is a general consensus within the organization over employer’s obligations and employees’ obligations (Anderson and Thomas, 1996; Shore and Tetrick, 1994). Similarly, values and attitudes of employee within the organization lead to consensus on the content of PC (Schneider, Goldstein, and Smith, 1995). The similarity theory of Schneider proposes that individual and organizations who are attracted towards each other on the basis of similarities stay with each for longer duration. This theory was later expanded as attraction-Selection-attrition (ASA) theory (Schneider, 1987). In the literature it has been argued that, with regard to value match, socialization has additional effects over selection. Socialization accounts for a greater amount of value match than selection (Chao et al., 1994). However, Tekleab and Taylor (2003) did not find support for the argument that the agreement on employees’ obligations to the
organization is inversely related to managers’ perceptions of employee violation of the contract. Authors found partial support for the argument that the agreement on organization’s obligations to employees will be inversely related to employees’ perceptions of organization violation of the contract. On the basis this we can say that due to socialization an employee and employer identify with similar dimensions.

Further, the formation of psychological contract is influenced by various individual and organizational factors. The coming section will discuss the various such antecedents of psychological contract.

### 2.1.5 Antecedents of Psychological Contract

The antecedents of psychological contract are broadly classified into individual factors and organization factors and they are as followed:

#### 2.1.5 (a) Individual Factors

i. **Age**: Research on association between age of an employee and PC is limited. Researchers have largely dealt with unmet expectations that younger workers experience when they first enter the labor market (Webber, 1976). In the era of 1980s and 1990s, the focus of research was on widespread perceptions of PC violations among young workers due to fewer guarantees of lifetime job security, greater feelings of entitlement, and awareness of “boundaryless careers” (Arthur and Rousseau, 1996; Robinson, 1996; Robinson and Morrison, 1995). The research further is limited on how and why age influences the ways in which employees react to PC breach. Beside this there has been debate over who should be considered older employee, younger employee, and what should be the cut off range of employees. In general empirical research has demonstrated that, as people grow, there are significant changes in their self-concepts, emotional intensity, social interaction patterns, altruistic attitudes and behaviors, life goals, and coping strategies (Chapman and Hayslip, 2006; Heckhausen and Brim, 1997; Lebouvie-Vief and De Voe, 1991; Steverink and Lindenberg, 2006; Underwood and Moore, 1982). Older and younger employees have different expectations and reactions to PC breach (Flaherty and Pappas, 2002; Thomas and Hasher, 2006; Naus, van Iterson, and Roe, 2007). NG and
Feldman (2009) stated that age and work experience shape how individuals experience PC breach. While studying age it is important to consider factors like age similarity or age relativity among employees.

This difference in the perception and information has been found to influence the employment relationship. PC is largely based upon the perception of employees and employer. Thus, on the basis of previous research it can be inferred that older employees would report less breach and violation of PC in comparison to younger counterparts. Research also support the fact the at different life stages expectations take a shift. Thus, the age factor cannot be ignored in the study of PC. The changes which come along the age, when taken together, affect the ways employees develop expectations and react when those expectations are unmet. At different age an individual is governed by different needs, different priorities, reaction to breach, and expectations from self and people around including the employer.

ii. Gender: In a research by Rick, Tallman, Nealia, (2008) it was found out that gender had a significant impact on PC. Women held stronger obligation attitudes than did men. The personality of men related to varying obligation attitudes, whereas, women’s attitudes did not vary significantly within personality dimensions. The study suggested that employees’ PCs may be more emotionally based than cognitively based. Females and males have different expectations from the employees and the attachment to different inducements varies. In most of studies, gender has been considered as a control variable, hence how and why PC differs between females and males is not dealt with. In one of the study, Flood, Turner, Ramamoorthy, and Pearson (2001) found gender to be negatively correlated with obligation to confirm as well as obligation to contribute.

The plausible reason could be that women had different perception of PC due to challenges they face at workplace. A significant negative correlation was found between gender and PC violation (Lemire and Rouillard, 2005; Coyle-Shapiro and Kessler, 2002a; Sturges et al., 2005; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008; Kiewitz et al., 2009; Sutton and Griffin, 2004) There are studies which could not report any significant relationship between gender and PC (Coyle-Shapiro and
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Conway, 2005; Suazo, 2009). Considering the mixed findings over the relationship between gender and PC, there is a need to explore the connection from various lenses.

iii. **Tenure:** The review of literature suggests very strong influence of tenure on the PC. Tenure plays a very central role in defining the course of employment relationship. In contemporary organization there is a very high variation among employees regarding the tenure or the employment status of employees. Broadly, employment status or tenure is categorized in two: contingent employees or temporary and permanent employees or non-contingent employees. Contingent workers are not a homogenous group of employees, it further include four broad arrangements. These broad categories are: - temporary agency hired, temporary direct hired, independent contractors/freelancers/consultants, and seasonal employees. In the present paper tenure is broadly categorized as permanent and temporary employees (including all types of contingent employees). In temporary employment the notion of a work relationship is not continuous (McLean Parks, Kidder, and Gallagher, 1998). The length of time spent with the host organization may vary from one day to several months. Temporary workers are more likely to hold PCs with few employer obligations. The difference in the PC among temporary and permanent employees is due to the difference in the contractual relationship. Contract status is major factor in determining the exchange relationship as it influence how employee perceive employer obligation in terms of job security, training and development, external employability, and WLB (Van Dyne and Ang, 1998). For permanent employees there would be broad range of obligation whereas in case of temporary employees the obligations are limited in scope and content. Temporary contracts did not inevitably have negative effects on employee-employer relationship. Some studies found that a socio-emotional relationship is important to employee satisfaction with the employment relationship (Chambel and Castanheira, 2007). Temporary workers are not provided the same training, career opportunities, financial benefits, and opportunity to make social connections as permanent employees (Kalleberg, 2000; Tregaskis et al., 1998; Carsten, 1999; Rogers, 1995). Temporary workers are neither considered full agency employees nor the host organization or client, their status and position might vary from country to country. This view has been criticized as it might not be relevant for all kinds of temporary employees (McLean Parks, Kidder, and Gallagher, 1998).
Contrary to agency hired temporaries, it has been found that the direct-hire temporary workers stay with the organization for a certain period and may succeed in extending it through a new temporary contract to a permanent contract with the organization. These temporary workers are often treated identically with core workers in their day-to-day work because they perform the same functions, respond to comparable productivity demands, while sharing the same work space, hours and manager. It is argued in the literature that these characteristics facilitate the emergence of a socio-emotional employment relationship on the part of both temporary and permanent employees creating comparable attitudes toward organizational membership, identification with the organization’s stated goals, and expectations for training and professional growth (Millward and Brewerton, 1999).

Where temporary workers have a lasting relationship with the organization and have identical working conditions, as is the case with direct-hire temporary workers, they have a similar employee-employer relationship to core workers, namely high socio-emotional motives and high involvement with the organization (McDonald and Makin, 2008; Kidder, 1998; Moorman and Harland, 2002; Van Dyne and Ang, 1998). These studies confirm the relationship between the employment contract and the PC. It seems probable that the PCs of temporary workers are more transactional and more restricted than those of permanent employees. However, the evidence also suggests that the behavior of temporary employees may be more sensitive to variations in the content of the PC than that of permanent employees. It is argue that the PC of temporary workers compared with permanent workers is narrower in terms of number and quality of content items (Claes et al., 2002; Coyle-Shapiro and Kessler, 2002; De Cuyper and De Witte, 2006, Guest, 2004; Millward and Brewerton, 1999, 2000; Millward and Hopkins, 1998; Rousseau, 1995; Van Dyne and Ang, 1998). Narrow and asymmetrical PC of temporary employees may prevent the development of a trust relationship with the employer and, hence, may lead to undesirable employees’ attitudes and behaviors: (Beard and Edwards, 1995; Coyle-Shapiro and Kessler, 2002; Koh and Yer, 2000) or poor treatment by employers (Davis-Blake and Uzzi, 1993). Further, Siegrist’s effort-reward model has formulated similar predictions that temporary workers are likely to perceive an imbalance between their efforts and
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rewards (Isaksson and Bellaagh, 2002). Temporary workers may react to this inequity by developing unfavorable attitudes and by performing poorly.

Temporary workers are more likely to perceive the promised PC as a quasi-spot or an employer under obligation, compared to permanent workers. Temporary workers are more likely to perceive the fulfilled PC as a mutual high obligation (Jong, Schalk, Cuyper, 2009).

There is huge body of research which found that temporary/agency workers are in fact less committed to the organization and adopt fewer discretionary behaviors than permanent employees (Coyle-Shapiro and Kessler, 2002; de Gilder, 2003; Van Dyne and Ang, 1998), while others found no difference between the two groups (de Witte and Naswall, 2003; Feather and Rauter, 2004), and others found that temporary/agency workers were actually more committed (McDonald and Makin, 2000) and adopted more discretionary behaviors (Pearce, 1993) than permanent employees.

The variation in the PC among temporary and permanent employees is attributed to the voluntariness. Voluntariness means the extent to which the worker prefers his or her current employment tenure. It is greater when the worker preferred temporary tenure and lower where he or she feels forced or pressured to accept this type of status. Some temporary workers prefer and are satisfied with temporary tenure because it gives them greater flexibility, freedom, and variety (Ellingson, Gruys, and Sackett, 1998; McLean Parks, Kidder, and Gallagher, 1998).

iv. Personality: Personality is the complex of all the attributes like behavioral, temperamental, emotional, and mental that characterizes a unique individual predisposition. Personality of an employee strongly influences the PC. PC being a perceptual construct is largely influenced by predisposed individual pattern, temperament, and cognitive mechanism.

The role of personality in PC begins from perception and personality influences the way one interpret the world around. Research has found empirical support for this linkage. For instance, emotions and actions intervene in the process of attributing
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responsibility and finding an explanation for the breach (Parzefall and Coyle-Shapiro, 2011). Griffin (2001) examined an individual 'disposition' as a predictor of work reactions. Raja et al. (2004) predict that agreeable people would establish relational contracts. Agreeable people have a strong inclination to trust others and to be altruistic, cooperative, and compliant (Costa and McCrae, 1992; Organ, 1994). In addition, agreeableness has been associated with good team performance, high job satisfaction, and high job performance (Judge and Bono, 2000; Judge, Bono, Ilies, and Gerhardt, 2002; Antonioni, 1998; Kichuk and Wiesner, 1997; Tett et al., 1991). However, agreeableness has been negatively related to work involvement (Bozionelos, 2004).

Employees high on openness report low psychological contact as openness to experience is related with divergent thinking, which enhances ability to observe the details around and to predict future accurately (NG and Feldman, 2009). Raja et al. (2004) did not consider openness in their study expressing their concern for its relevance to organizational behavior. Research indicates that openness has been directly related to important organizational behavior constructs (Antonioni, 1998; Tett et al., 1991; Stevens and Ash, 2001; Nikolaou, 2003). People who are high on openness invite new experiences (Costa and McCrae, 1992). Openness has been related to high job performance (Nikolaou, 2003; Tett et al., 1991). Employees high on openness are unlikely to feel that they must be subservient to the organization or its managers. These employees will develop PCs that reflect their need to go beyond the normal job activities and try new approaches to do their work. Literature does not report any relationships which suggest that people high on openness would be more or less committed to the organization or job than those low on openness.

Extrovert people are expressive, gregarious, assertive, and excitement-seeking (Costa and McCrae, 1992). Raja et al. (2004) found that extroversion was directly related to relational contracts and inversely related to transactional contracts indicating that extrovert employees choose to develop a long term relationship with the organization. Extroversion has been related to high job performance, team performance, job satisfaction, and low absenteeism (Judge et al., 1997; Judge and Bono, 2000; Judge et al., 2002; Kichuk and Wiesner, 1997; Tett et al., 1991). Extroverts will develop PCs
that reflect their hard work, commitment, and willingness to work with others. People high in extroversion also have a bias towards status, recognition, and power (Costa and McCrae, 1992). Employees high on extroversion expect status, recognition, and power from their job.

Employees with high neuroticism are low on self-esteem and perceive more unjust treatment which leads to high PC breach. Costa and McCrae (1992) reported that persons high in neuroticism are fearful, angry, and depressed. High on neuroticism employees function as poor team performers, have a tendency to be less giving to others, and have poor attitudes towards change (Kichuk and Wiesner, 1997; Organ, 1994; Vakola, Tsausis, and Nikolaou, 2004). The negative attitudes by employees high on neuroticism towards their jobs are borne out by their low job satisfaction (Judge et al., 2002). Raja et al. (2004) found neuroticism to be positively related to transactional contracts and negatively related to relational contracts and avoid situations requiring long-term commitment, social skills, trust, and taking initiative. Employees high in neuroticism will develop obligation attitudes that reflect low organizational commitment, job commitment, and an unwillingness to take initiative in their work. They desire fulfillment of their immediate and instrumental needs and reject actions by the organization that relate to building a relationship with them. Further, employees high on neuroticism may not want performance evaluations or challenging work as they might be fearful of the results of these actions.

v. Cultural Orientation of Employee: Employees react differently to the same inducement breach as they hold different cultural values and these values may have impacts on the employees’ work behaviors (Hofstede, 1980; Kluckhohn and Strodtbeck, 1961). It was suggested by Schwartz (1992) that employees with traditional values, are less expected to react strongly to the breach of PC. The traditional cultural orientation refers to or includes commitment to, respect for, and acceptance of the customs and norms of a society. A traditional employee accepts uneven distribution of power (Halpern and Stern, 1998). In Chinese setting (Yang, Yu, and Yeh, 1989) traditional values are characterized as respect for authority, fatalism, a general sense of powerlessness, and obedience. Largely, traditional employees are less sensitive to injustice than the less traditional workers. Robinson
and Morrison (2000) predicted that traditionality would weaken an employee’s negative reactions to a perceived inducement breach. Similarly, Thomas, Au, and Ravlin (2003) proposed cognitive and motivational mechanism through which the cultural profiles of individuals influence formation of the PC, perceptions of violations of the PC, and responses to perceived violations. Authors argued that the cultural profile of individuals will influence formation of the PC towards transactional or relational forms through cognitive processing based on existing cognitive structures.

For example, collectivists are more likely to attend to message context than individualists. Individualist cultural values motivate individuals to form a more transactional PC to enhance the independent self, whereas collectivist cultural values influence individuals to form a more relational contract to enhance the interdependent self. Individualists tend to perceive unmet transactional obligations as violations, whereas collectivists perceive unmet relational obligations as violations. Collectivists have higher tolerance for the perception of a PC violation than individualists. Individualists attribute perceived unmet expectations to factors within employer control than are collectivists. Collectivists are motivated to maintain their self-enhancing relationship with the employer. Therefore, they experience greater stress, tension, and internal conflict when experiencing a breach than individualists. Culture also influence the content of behavioral scripts retrieved and enacted in response to a violation of the PC. The cultural profiles of employees influence the responses to violation through social exchange motives. Individualists prefer and respond with voice to PC violations than collectivists whereas collectivists are more likely to respond with loyalty to PC violations.

vi. Work Status / Employee Class: Work status or class of an employee play a significant role in determining the relationship between employee and employer. Ellis (2007) found that occupational work group status affect the degree to which negative violations are perceived for quality communication (i.e., white collar employees perceive negative communication violations to a greater degree than blue-collar employees) but not work-life issues. It was also found that the work-life promises were perceived more directly than communication promises. Further, autonomy did
not mediate the relationship between occupational work status and perceived quality communication promises. King (2000) found partial support for the argument that higher the level of job insecurity for white-collar workers, the lower their work effort. When job insecurity is higher, white-collar workers engage in less citizenship behavior. King found weak support for the argument that an individual's PC for job security moderates the relationship between job insecurity and behavioral outcomes in white-collar workers. The higher the level of job insecurity for white-collar workers, the higher their job search intensity.

vii. Employee Designation: The research is very limited in the area of PC and employee designation. On the basis of the conceptual argument the thesis states that employees holding different designation have different expectations from the employer. They react differently to the violation of PC. Employee position in the organizational hierarchy affects an employee’s PC (Atkinson and Cuthbert, 2006).

2.1.5 (b) Organizational Factors

i. Organization Change: The change within the organization brings anxiety and uncertainty among employees. Consequentially, there is an increased likelihood of misinterpretation and violation of the PC (Robinson, 1996; Braun, 1997). Due to uncertainty employees become more vigilant to detect and react to PC breach. As a result of the heightened vigilance, employees are more likely to perceive a breach of their PC (Robinson and Morrison, 2000). Organization change influence psychological contract through effective /ineffective organization (Khalid and Rehman, 2011). Employee perceptions of both employer obligations and contributions change after the mergers and acquisitions (Bellou, 2007). Organizational change is positively related to PC breach (Lo and Aryee, 2003). However, Morrison and Robinson (1997) did not find any support for relationship between perceived contract breach and level of organizational change.

ii. Organization Culture: Organization culture varies in terms of the organization’s reliance on either values to influence employees or rules and procedures to direct employees’ actions (Cameron and Freeman, 1991). The different types of organizational culture may result in different types of exchange relationships. Employees use culture as a
frame of reference (Denison and Mishra, 1995; Schein, 1992; Shrivastava and Schneider, 1984) and make sense of the shared meaning embedded in the organization’s culture. Culture of an organization provides implicit information to employees of employee-employer obligation. Employee develop awareness about what is expected from the employee and to what extent the employer can fulfill their expectations. Similarly, employee gets the message about employer expectations from the employee of the organization. For instance, organization with integrative culture is expected to have a long term relationship with the employees. Such organization provide information to employees about the employment relationship based upon social exchange relationship characterized by a long-term orientation and open relationship which is devoid of calculated relationship of transactional nature. Employees have trust in the organization and delay in the employer’s contribution does not lead to any severe perception of PC breach. Employees in such relationship are willing to transcend their self-interest for the organizational goals. They feel obliged to reciprocate with high levels of affective commitment, task performance, and OCB. On the contrary, a hierarchical culture does not give employees a clear sense of the organization’s values in dealing with customers and society (Cameron and Freeman, 1991; Tsui, Wang, and Xin, 2006). Such relationships are based upon the rules and responsibilities. The contribution and inducement between an employee and employer are directed by the laid rules and procedures of the organization. Employees are expected to follow the standard operating procedures and rules. The relationship is transactional and organization does not obligate to employee’s psychological needs. Employee in return mistrusts and disrespects the organization. Employee cannot value the investment, and does not expect repayment from the organization for their support and trust. Consequently, employees’ identification with and psychological attachment to the organization are weak. Employees working in such cultures perceive an economic exchange relationship with the organization. Employees are calculative, high on information seeking, worry about the equivalence of returns, and involve into aggressive negotiation with the employer for rewards. As a result, employees are psychologically detached from the organization, are unwilling to contribute much beyond basic task performance and hesitate to step forward for the organizational goals (Song, Tsui, and Law, 2009).
iii. **Ownership:** Employee’s expectation and perception of the inducements given by employer is determined by ownership. Private and public sector employees differ in the importance they attach to different types of inducements being part of their employment deal and their evaluations of these inducements. There is a consensus in the literature regarding the difference in the employees of private and public sector and how the structure of private and public sector influences the employment relationship (Goulet and Frank, 2002; Perry, 2000; Perry and Rainey, 1988; Wright, 2001). There is huge body of review on the comparison of private and public sector and PC. However, it is limited to the contents of PC. For example Boyne (2002) concluded that public sector managers are less motivated by material rewards and strongly motivated towards serving the public. The PC of employees of private and public sector are expected to differ due to different type of context and organizational structures. The difference is also attributed to the difference in the legal contract on which the PC is based (Shore and Tetrick, 1994). According to Shore and Tetrick (1994) the formal contract can affect the PC in several ways. It plays an important role in making certain terms of the employment relationship explicit, and defines its statute and duration.

Compared to private sector employees, public sector employees attached less importance to the inclusion of career development opportunities and financial rewards in their PCs. Financial rewards and career development opportunities in public sector organizations are relatively less than the private sector organizations (Volkwein and Parmley, 2004). Employees choose to work for public sector organizations based on expectations and promises other than financial rewards and career development (Borzaga and Tortia, 2006; Burgess and Ratto, 2003; Perry and Wise, 1990). Public sector employees desire to accept less interesting financial and career conditions for a job in the public sector. It is argued that public sector employees are attracted by the unique set of values offered by public sector organizations (Perry and Porter, 1982; Perry and Wise, 1990; Posner and Schmidt, 1996). Moreover, the public sector employees are not much concerned about fulfillment of financial rewards and career development in comparison to private sector employees.
Houston (2006) predicted that private employees focus more on status, prestige, and promotion. Jurkiewics et al., (1998) found that public sector employees place less importance to prestige, social status, and opportunity for advancement in their jobs compared to private sector workers. The findings suggest that employees of both private and public sector are equally dissatisfied about the extent to which they get status, prestige, and advancement opportunities from their employer. This might vary from general notion about prestige associated with private and public sector. Further, Lyons, Duxbury, and Higgins (2006) concluded that public servant value challenging work more than private sector employees. Literature tends to suggest that public sector employees are less motivated by career development opportunities compared to their private sector counterparts. However, there is a lack of empirical evidence to decide on the validity; hence nothing can be generalized with confidence.

Studies report mixed results in context to job content. Job content includes need for self-actualization, need for challenging and fulfilling work, and need for autonomy. Results on sub components of job content are also very mixed. Some studies report that public sector employees are more motivated by job content, self-development, recognition, autonomy, interesting work, and the chance to learn new things (Houston, 2000; Karl and Sutton, 1998; Khojasteh, 1993; Newstrom, Reif, and Monczka, 1976). Public sector employees place greater importance on opportunities to learn new things, use one’s abilities, and variety in work, compared to private sector employees and these motivational aspects are found to be fulfilled in the jobs of the public sector to a greater extent than private sector jobs (Jurkiewics et al., 1998). Contrary to this in context to financial rewards, civil servants are less motivated by financial rewards than private sector employees (Karl and Sutton, 1998; Khojasteh, 1993; Wittmer, 1991). On the basis of an analysis of 34 empirical studies, Boyne (2002) found that public managers are less materialistic. However, both private and public sector employees are reported of not getting high financial rewards (Jurkiewics et al., 1998). Lyons et al. (2006) found that private and public sector employees did not value pay differently. This was further confirmed in another study among Italian public sector workers (Borzaga and Tortia, 2006). Wages in the public sector are generally lower than in private sector organizations in several European countries.
(Lucifora and Meurs, 2006). There is variation in the obligation regarding the social atmosphere as well. Power and status needs are less manifested in public sector employees (Maidani, 1991). Other studies have dealt with the need for affiliation and these studies provide mixed evidence. Jurkiewicz et al., (1998) found that public sector employees rank friendliness and need for affiliation somewhat higher than private sector employees. However, Lyons et al. (2006) did not find evidence for this difference in their research. Odom, Boxx and Dunn (1990) found that cultural dimensions in organizations that promote positive employee behavior are less present in public sector organizations. Public sector organizations might promote a bureaucratic culture (Baldwin, 1990) that is not favorable to workgroup cohesion. Furthermore, due to the strong presumptions of an inflexible bureaucratic culture, public employees seem to respond more favorably to a more flexible and people-oriented leadership style (Zeffane, 1994). Literature tends to assume that social atmosphere is a more important motivator for public sector employees than for private sector employees. There is no significant evidence that public sector organizations have a culture or organizational structure that induces an unfavorable social atmosphere (Baldwin, 1990; Odom et al., 1990).

On the content of WLB public sector employees report significant WLB and are more strongly motivated by WLB. These employees do not prefer fluctuation in working hours and work place location (Posner and Schmidt, 1996).

Other comparative studies have emphasized differences in values between the public and private sector organizations. Values such as honesty, fairness, and equity are central to public sector organizations. Private sector organizations emphasize economic and parsimonious values, such as cost control and goal orientation (Moe and Gilmour, 1995; Posner and Schmidt, 1996).

There could be variation from nation to nation as government policies have a strong impact upon the functioning of public sector organizations in particular. Also, the general perception of people about public and private sector employment play a crucial role. It is important to consider that structure, function, and values system vary from country to country. A study by Lyons, Duxbury and Higgins (2006) reveals
differences in work-related values, contribution of the job to society, opportunities for advancement, challenging work, and prestigious work. Public sector organizations have a unique set of values that attracts a particular group of employees is a reason to believe that public sector employees are motivated by a different set of work conditions and values.

iv. **Power and Politics:** Keiwitz, Restubog, Zagenczyk, and Hochwarter (2009) studied the effects of the social context on PC breach (PCB). When employer does not fulfill the obligations, an employee gets the message that organization does not value them. This perception leads to reduction in POS. Authors argued that employee’ perceptions of organizational politics serve as a heuristic for the overall benevolent or malevolent character of the organization and its agents. When employees perceive PCB and high levels of organizational politics, they will be more likely to hold the employer responsible for PCB. Thus, the study suggests that power and politics influence PC breach. Managers should consider the organization’s perceived political backdrop when anticipating employees’ reaction to broken promises.

v. **Societal Culture:** Societal culture reflects the institutions of society, and represented by the relatively stable values, attitudes, and behavioral assumptions of individuals. It might extend to a particular country and national culture influence the individual PC (Thomas, Fitzsimmons, Ravlin, Ekelund, and Barzantny, 2010). Focusing on the fundamental construct of individual cultural profiles allows us to better understand cultural variation in the PC of individuals. Various institution of the society shape an employee’s expectations and understanding of the employment relationship.

Societal culture defines the boundaries of the PC through the level of resources (e.g., skilled labor, capital) available to firms and the regulations (laws or customs) that govern acceptable behavior by both employees and employers (Rousseau and Schalk, 2000). Laws influence employee beliefs about the boundaries of relationship with a firm and directly influence the ability of workers to bargain. Further, societies vary in the extent to which they support a free market economy.
Moreover, government is a major employer in many countries and therefore a
powerful influence on the establishment of normative standards of employment
(Rousseau and Schalk, 2000). Finally, the institutions of society such as educational
and family systems influence both the characteristics of the labor force as a whole and
the characteristics of individuals (educational level, skills, social status) that
determine individual bargaining power. In addition to societal-level influence, firms
also set boundaries on the PCs of individuals. Firms are not passive; they react to and
shape societies in several ways (Rousseau and Schalk, 2000). Firms can exercise
discretion over the types of resources they derive from society through recruitment
and selection.

The PC of employees is formed within the zone of negotiability created by these
societal- and firm-level factors. These factors have an indirect effect on the PC by
creating boundaries that limit the extent to which individuals have choice in their
exchange with the firm and the extent to which both employee and employer are
capable of honoring commitments. There is considerable variation in these factors
around the world (Rousseau and Schalk, 2000).

research found out that perceived contract breach was more likely when
organizational performance and self-reported employee performance were low.
Individual as well as organization performance influence the PCB. Venkatraman
(2005) hypothesized that decline in profitability leads to shortage of resource
availability which leads to downsizing. Extending the same logic, the research argue
that lack of resources puts pressure on the human resource practices and thereby
makes difficult for organization to fulfill the promises made to employees of the
organization. The chances of PCB increase when the organization's performance has
declined or has fallen short of what was expected. Since, when organization is not
performing well, it becomes difficult for the organizations to fulfill promised
obligations. Similarly, when employee is not performing as expected, organization in
return resort to reneging (Robinson and Morrison, 2000). Research is scarce whether
performance predicts PC or vice versa. The direction and cause-effect relationship
between organization performance and PC is not clear. The review in coming section will further examine organization performance as a possible outcome of PC.

vii. Workplace Familism: Workplace familism (i.e. organizational and workplace supervisor familism) effects breach of relational obligations and civic virtue behavior. Though, there is only one study linking workplace familism and PC. Employees with a high level of workplace supervisor familism may feel a sense of betrayal and, therefore, respond more negatively to contract breach (Restubog and Bordia, 2006). Workplace familism refers familial interpersonal processes in the workplace. Workplace supervisor and organizational familism is positively related to civic virtue behavior (Restubog and Bordia, 2006). Restubog and Bordia (2006) found partial support for the argument that the workplace supervisor familism moderates the relationship between PC breach and civic virtue behavior. The negative impact of contract breach on civic virtue behavior is stronger when workplace supervisor familism is high rather than low.

viii. Leadership: The relationship between leadership and PC has been studied primarily in context of various leadership styles and leader-member exchange (LMX). Leadership style influence PC (Chu and Kuo, 2012). Transformational leadership is associated with relational component of PC because the relationship here is primarily based upon strong affect. The transformational leadership has been positively related with employee outcomes such as commitment; OCB, and performance (Lowe, Kroeck, and Sivasubramaniam, 1996; Wang, Law, Hackett, Wang, and Chen, 2005). Under Transactional leadership, employees feel a minimum level of emotional attachment to the organization. They perform only required tasks without much interest in contributing beyond fulfilling basic requirements (Bass, 1996).

PCB is negatively related to LMX. Leader benevolence moderates the influence of PCB on mentoring but not on LMX (Chen, Tsui, and Zhong, 2008). Employees’ perceptions of contract breach partially mediate the relationship between LMX and turnover intentions but not for affective commitment and trust in organization (Dulac, Coyle-Shapiro, Henderson, and Wayne (2008). LMX moderates the positive relationship between perceived contract breach and violation. The relationship is
stronger for employees who perceive that they have a low-quality exchange relationship with their supervisor (Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008). Tekleab and Taylor (2003) found partial support for the argument that the quality of LMX between manager and employee is positively related to their level of agreement on employees’ obligations to the organization and on the organization’s obligations to the employee. It is also important to understand that employees’ who share high-quality relationships with leaders will react strongly to PC breach (Restubog, Bordia, Tang, and Krebs, 2010).

ix. Justice and Fairness: Research indicates that fairness and justice are positively connected with PC. Perceived justice in general predicts the psychological contract breach (Arshada and Sparrow, 2010). Fairness is largely based upon the attribution, if employee perceives employer responsible for unfair treatment then the breach would have compounded effect (Robinson and Morrison, 2000). High levels of both procedural and interactional justice moderate the relationship between PC breach and knowledge worker commitment (Thompson and Heron, 2005). Procedural justice significantly affect responses to breach of extrinsic outcomes (e.g., pay) while interactional justice significantly affects employee responses to breach of intrinsic outcomes (e.g., autonomy) (Kickul, Lester, and Finkl, 2002). Thompson and Heron (2005) did not find any support for the argument that procedural and distributive justice would act as substitutes in the relationship between PC and commitment. Employees simultaneously perceived high levels of procedural and interactional justice. Therefore, procedural and interactional justice simultaneously moderates the relationship between PC breach and knowledge worker commitment. However, in the context of contract fulfillment, low perceived levels of interactional justice predict lower comparative levels of commitment regardless of the level of procedural justice (Thompson and Heron, 2005). The employee's perceived obligations to the employer are positively correlated with perceptions of organizational justice (Battisti, Fraccaroli, Fasol, and Depolo, 2007).

x. Trust: Trust refers to the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trust or, irrespective of the ability to monitor or control the
other party (Mayer, Davis, and Schoorman, 1995). Trust in an organization is a global evaluation of an organization’s trustworthiness as perceived by the employee (the trustor). It is also the employee’s belief that the employer will perform an action that is beneficial, or at least not detrimental to him/her (Gambetta, 1988; Tan and Tan, 2000). The employer, as the “trustee” in the relationship with employees, can develop and sustain a high level of trust by improving the employees’ confidence in the organization and increasing the employees’ indebtedness to the employer through human resource management practices such as extensive welfare benefits or investments in employees’ careers (Creed and Miles, 1996). However, the over emphasis on the requirements for flexibility in the work force advocated among employers will clearly impact on the maintenance of trust within the employment relationship. The flexibility often conflict with the philosophy of HRM and further impact the high-quality outputs.

Since, trust is one of the key characteristics of the long-term relational PC and has the potential to significantly influence work-based experiences. Robinson (1996) reported that trust in employer fully mediated the relationship between PC breach and the employee behaviors of civic virtue and task performance, but partially mediated the relationship with turnover intentions. PC breach reduces trust because it undermines the relational bond between an employee and employer. When breach occurs, employees question the integrity of the employer and become overwhelmingly skeptical, cynical or hostile toward the organization’s initiatives, all of which are indicators of mistrust. PC violation by a former employer is negatively related to trust in one’s new employer (Pugh, Skarlicki, and Passell, 2003). Moreover, trust in employer fully mediated the relationship between PC breach and the work outcomes of psychological withdrawal behavior and civic virtue but partially mediated the PC breach-turnover intentions relationship. Perceived breach is positively related to mistrust (Zhao, Wayne, Glibkowski, and Bravo, 2007).

xi. Perceived Organizational Support: PC fulfillment positively predicts employee perceptions of POS (Keiwitz, Restubog, Zagenczyk, and Hochwarter, 2009; Suazo, 2009). Eisenberger, Armeli, Rexwinkel, Lynch, and Rhodes (2001) found a positive relationship between perceived organizational support (POS) and employees’
obligation to care about the organization and help the organization achieve its goals. Inducement do explains the effects of PC fulfillment on POS. However, POS was not found to be a significant predictor of PC fulfillment, POS negatively predicted employees’ perceptions of the organization’s obligations toward them (Coyle-Shapiro and Conway, 2005). Review on organizational support theory shows that POS creates a broader felt obligation among employees to reciprocate favorable treatment by helping the employer at their own discretion (Eisenberger et al., 2001).

Dulac, Coyle-Shapiro, Henderson, and Wayne (2008) found direct relationship between POS and violation. The relationship between POS and PC is stronger when the (non)fulfillment is viewed as discretionary rather than something the organization was obligated to provide or had little control over (Aselage and Eisenberger, 2003). The POS increases acceptance of organizationally imposed contract change and would reduce psychological strain by conveying the organization’s benevolent intent and its willingness to provide socio-emotional and tangible aid. This reduces the violation of contract (Aselage and Eisenberger, 2003). Guerrero and Herrbach (2008) argued that POS is the key attitudinal mindset that reflects how individuals experience PC fulfillment.

There is a negative relationship between POS and breach and positive relationships between POS and affective commitment and trust in the organization. Fulfillments of the PC by the employer have a positive effect on employees’ perceived organizational support (Coyle-Shapiro and Kessler, 2000). Shore and Barksdale (1998) found partial support for the argument that mutual high obligations relationships would have the highest levels of POS and employee under-obligation relationships would have the lowest levels of POS.

Some authors have argued about the reciprocal relationship between POS and PC. PC theory would also suggest that POS should influence PC fulfillment (Morrison and Robinson, 1997; Robinson, 1996; Rousseau, 1995). Rhoades, Eisenberger, and Armeli (2001) argue that POS signals the organization’s preference for relational contracts. Morrison and Robinson (1997) suggest that relational exchanges discourage employee vigilance. Therefore, employees are less likely to perceive contract breach.
Employees those have a supportive relationship with their employer may be less inclined to monitor their relationship with the employer, as they would have benign views of their employer’s actions. Furthermore, Aselage and Eisenberger (2003) note that employees in supportive relationships give the employer the benefit of the doubt when evaluating the degree to which they believe that obligations have been fulfilled. Thus, POS may create a positive evaluation bias in the degree to which employees believe that their employer has fulfilled its obligations, in addition to reducing the extent to which employees monitor the exchange.

**xii. Communication:** PC is highly perceptual in nature. There might be difference in the understanding of same PC by employer and employee. In such a situation communication plays a very critical role. Communication will minimize perceived contract breach via incongruence (Morrison and Robinson, 1997). The more an employee and employer representative interacts with clarity, less would be misperception over implicit and explicit aspects of PC (Morrison and Robinson, 1997). As a consequence, the employee will be less likely to perceive that his or her PC has been breached. More communication does not necessarily imply more realistic information or accurate perceptions. Communication has to be realistic, in line with the organization system, values, culture, and must reflect the organization truly. Further, research on newcomer sensemaking suggests that an individual who obtains more information has a better chance at making accurate sense of his or her surroundings than one who obtains less information (Miller and Jablin, 1991; Reichers, Wanous, and Austin, 1997). Despite the theoretical support to the relationship between communication and PC. There is dearth of empirical wok on the role of communication and PC due to complexity associated with measurement.

The above mentioned antecedents influence the psychological contract. The fulfillment of psychological contract or breach of psychological contract leads to various outcomes. The concept of psychological contract breach, psychological contract violation, and the difference between psychological contract breach and psychological contract violation is discussed in coming section followed by the consequences of the psychological contract.
2.1.6 Psychological Contract Breach and Violation

PC breach is defined as the employee’s cognition that he/she has received less than what was promised (Morrison and Robinson, 1997). PC violation is related to, but conceptually distinct from, PC breach. Specifically, PC violation is defined as the emotional or affective state that might (but does not always) result from the perception of PC breach (Morrison and Robinson, 1997). Thus, PC violation has been described as the feelings of anger, injustice, resentment, and distrust that arise from the realization that the organization has not honored the PC (Raja, Johns, and Ntalianis, 2004). Albeit, the relationship is moderated by employee’s perception of the breach and fairness (Robinson and Morrison, 2000). Breach is generally assumed to increase feelings of violation (Raja, Johns, and Ntalianis, 2004). Violation involves an interpretation process that is cognitive in nature. Two conditions are said to give rise to breach of promise. The first is reneging, this happens when an agent or agents of the organization knowingly breaks a promise to an employee. The reneging can be due to the inability of the organization to fulfill its promise or to its unwillingness to do so. An organization is said to be unable to fulfill a promise when extenuating circumstances constrain the organization’s ability to fulfill its promise. Unwillingness is a situation when the agent or agents who made the promise do not intent to fulfill it (Morrison and Robinson, 1997). This indicates a deliberate action of the agent in not fulfilling the promise. The second condition leading towards PC violation is incongruence. This is said to happen when the employee and the organization’s agent or agents have a different understanding of a promise. This can arise when the parties involved have conflicting schemata (Morrison and Robinson, 1997). Factors such as the perceived cost of the unmet promise, salience of the breach, a person’s sense of equity, and the uncertainty experienced by the employee will affect the extent to which the breach will lead to an emotional response (Morrison and Robinson, 1997). Thus, a breach does not necessarily lead to PC violation if it does not result in a negative emotional and affective response. The breach may, however, be perceived as significant, be interpreted as a violation (e.g. no likelihood of expected promotion being received in the foreseeable future) affecting the employment relationship and resulting in counterproductive behaviors detrimental to the organization (Lemire and
Rouillard, 2005). The breach and violation is not limited to the non-fulfillment of psychological contract. It extends to the over fulfillment of PC. Problems may arise when expectations exceed. Over-fulfillment of the PC may still be perceived by an individual as a breach or violation (Lambert, Edwards, and Cable, 2003; Ho, 2005). Some studies suggest that under-met expectations matter a lot more than over-met ones (Arnold, 2004; Lambert et al., 2003). Supporting the previous research (Turnley and Feldman, 1999; Kotter, 1973; Lambert et al., 2003) suggested that breach/violation may be viewed as a continuum ranging from deficiency in fulfillment to excess in fulfillment. The effects of the PCB will then vary depending where on the continuum it falls, that is deficiency or excess in met expectations. PC breach typically creates the perception of an imbalance in the social exchange relationship. While most of the studies have found that PC breach has a pervasive negative impact on both employees’ attitudes and behaviors with weak to moderate correlation (Robinson, 1996; Tekleab, Takeuchi and Taylor, 2005) indicating that other factors may be influencing employees’ responses to PC breach. Moreover prior research (e.g. Morrison and Robinson, 1997; Turnlev et al., 2003) has suggested that employees do not respond negatively to all instances of PC breach. The effect of breach or violation of the PC is of interest to researchers and practitioners as the consequences influence both individual behavior and organizational outcomes. The fundamental premise is that a fulfilled and a healthy PC will result in positive individual behaviors, with both being associated with positive outcomes for the organization. Therefore, the organization has a vested interest in appreciating the potential content of employees’ PCs and both managing and meeting the expectations of employees under those contracts. Understanding the content of the PC and its relationship to other organizationally focused constructs, is critical to the management (Morrison and Robinson, 1997; Robinson and Morrison, 2000). Guest (2004) categorized the outcomes of PC fulfillment or non-fulfillment and draws a broad distinction between attitudinal consequences (including organizational commitment, work/job satisfaction, work-life balance, job security, motivation, and stress) and behavioral consequences (including attendance, intention to stay/quit, job performance, and organizational citizenship behavior). PC violation is associated with decreases employees’ obligation (Robinson, Kraatz, and Rousseau, 1994).
Describing silence in terms of quiescence and acquiescence, Pinder and Harlos (2001) provided weight to the argument that quiet employees are not necessarily content and the absence of overt behaviors should not be interpreted as implied acceptance of the PC. Loyalty may, in such circumstances, be missing and the absence of other responses to violations should not be read as loyalty. In abstract PC breach and violation leads to various organizational outcomes. The coming section will discuss the outcomes in detail.

2.1.7 Consequences and Outcomes of Psychological Contract

As mentioned the consequences of PC are of great relevance for both practitioners and academicians. Compared with breach of the relational content of the PC, breach of the transactional content has stronger relationships with work outcomes (Zhao, Wayne, Glibkowski, and Bravo, 2007). PCV fully mediate the relations between PCB and job satisfaction, organizational commitment, intentions to quit, POS, service delivery, service-oriented OCB, and participation service-oriented OCB. PCV partially mediate the relation between PCB and loyalty service-oriented OCB. PCV does not mediate the relation between PCB and in-role job performance (Suazo, 2009). Sia, Weib, and Lic (2008) found that in China, an organization’s PC is positively related to an increase of managers’ exits, reduction of managers’ voice, an increase of managers’ neglect, and reduction in managers’ loyalty. The consequences of PC are as follows:

i. **Turnover Intention:** Turnover intentions reflect the subjective probability that an individual will leave the employer within a certain period of time. As opposed to actual turnover, the turnover intentions variable is not dichotomous. In addition, it is less constrained by exogenous factors (such as availability of an alternative job) and thus more accurately reflects one’s attitude toward the organization. Intention to quit is a common response to negative events with work (Lum, Kervin, Clark, Reid, and Sirola, 1998; Raja et al., 2004; Suazo, Turnley, and Mai, 2005; Suazo, 2009; Lo and Arye, 2003). Thus, PC breach, as a negative event for the employees, can increase their tendency to leave. Most of the research has reported PC breach to be positively related to turnover intentions (Shahnawa and Goswami, 2011; Coyle-Shapiro and
Kessler, 2000; Robinson, 1996; Robinson and Morrison, 1995; Robinson and Rousseau, 1994; Rousseau, 1995; Turnley and Feldman, 1999, 2000; Lemire and Rouillard, 2005). An intention to remain with the employer is related to the relational aspects of the PC than to transactional PC (Guzzo, Noonan, and Elron, 1994; Portwood and Miller, 1976; Robinson and Rousseau, 1994). Zhao et al., (2007) in a meta analysis found that breach is positively related to turnover intentions. Supporting the previous findings, it was also found that transactional breach had statistically smaller effect sizes than relational breach on turnover intentions. Zhao, Wayne, Glibkowski, and Bravo (2007) found clear support for the argument that PC is negatively related to turnover intentions. Contrary to this Tekleab and Taylor (2003) found that contract violation by the organization is negatively related to intent to leave the organization. Shore and Barksdale (1998) found partial support for the argument that mutual high obligations relationships would have the lowest levels and employee under-obligation relationships have the highest levels of turnover intentions.

Intention to remain in the organization is largely dependent upon the probability of situations becoming worse or better in the current organization. Prior research has suggested that instances of PC breach are likely to make employees question whether remaining in the employment relationship will be worthwhile (Tumley and Feldman, 1999).

ii. **In Role Performance:** Employees perform their roles and responsibilities well when there is mutually beneficiary relationship between an employee and employer. A healthy PC between an employee and employer is highly related to high in-role-performance. Perceived breach is negatively related to in-role performance (Zhao, Wayne, Glibkowski, and Bravo, 2007).

iii. **Organization Commitment:** Organizational commitment is the most extensively studied concept and has been developed through a variety of definition and operationalization. Organizational commitment is one of the variables which share reciprocal relationship with the PC. Organizational commitment not only influences the PC but PC also influences the organization commitment.
When PC breach occurs, employees are less likely to identify with the organization and maintain their commitment. When PC breach occurs, employees not only question their loyalty to their employing organization, but also the extent to which they made a wise choice to enter their current profession. Empirical findings suggest that PC breach are negatively related to organization commitment (Zhao, Wayne, Glibkowski, and Bravo, 2007; Bunderson, 2001; Conway and Briner, 2002; Deery, Iverson, and Walsh, 2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton and Griffin, 2004; Rusbult et al., 1988; Coyle-Shapiro and Kessler, 2000; Robinson, 1996; Robinson and Morrison, 1995; Robinson and Rousseau, 1994; Rousseau, 1995; Turnley and Feldman, 1999). An employee who perceives that PC has been violated would be less likely to remain attached with the organization. Employees in case of breach are less likely to exhibit the organization commitment. Empirical studies provide convincing evidence that perceived inducement breach is negatively related to an employee’s organizational commitment (e.g., Bunderson, 2001; Coyle-Shapiro and Kessler, 2000; Kickul, 2001; Lester, Turnley, Bloodgood, and Bolino, 2002; Raja et al., 2004; Robinson, 1995). Perception of contract violation is associated with lower organizational commitment and trust. The impact of contract violation on commitment and trust is mediated by relational PC, but not by transactional PC (Grimmer and Oddy, 2007). The higher relational PC is associated with higher commitment to the employing organization and higher trust in the employer. The higher transactional PC associated with lower commitment to the employing organization (Grimmer and Oddy, 2007). Organizational commitment partially mediates the relationship between the PC fulfillment and job performance, absence, individual career management behavior, and voluntary turnover (Sturges, Conway, Guest, and Liefooghe, 2005). Employees redress the balance in the relationship through reducing their commitment and their willingness to engage in OCB when they perceive their employer as not having fulfilled its part in the exchange process. Fulfillment of the PC (transactional) by the employer has a positive effect on employees’ commitment to the organization (Coyle-Shapiro and Kessler, 2000). The employee's perceived obligation to the employer is positively correlated with affective commitment (Battisti, Fracaroli, Fasol, and Depolo, 2007). Shore and Barksdale (1998) found partial support for the argument that mutual high obligations relationships would have the highest levels of affective commitment and employee under-obligations relationships have the lowest levels of affective commitment.
Zhao et al., (2007) in a meta-analysis found that breach is strongly and negatively related to organizational commitment. Global breach measures had a higher correlation than composite breach measures with organization commitment. One of the rarest studies in the literature found no significant relationship between PC and organization commitment (Lemire and Rouillard, 2005). PCs influence commitment (Conway and Briner, 2005). Changes that affect the contract may have implications for commitment and employee behavior. There is a close link between fulfillment of the PC and higher organizational commitment (Bunderson, 2001; Coyle-Shapiro and Kessler, 2000; Johnson and O’Leary-Kelly, 2003; Lester, Turnley, Bloodgood, and Bolino, 2002). The research confirms that PC fulfillment has an association with affective organizational commitment (Sturges et al., 2005, Bunderson, 2001; Johnson and O’Leary-Kelly, 2003).

Hughes and Palmer (2007) in their research found that the relational contract obligations would be more highly related to value commitment than to continuance commitment. Similarly, transactional obligations would be more highly related to continuance than value commitment. This was also found true in absolute terms but only marginally.

Employment contract terms that are more favorable for the employees are likely to be associated with a more favorable perception of the employer, thereby resulting in greater commitment to the relationship. The perception of un-favorability thus influences organizational commitment (Meyer and Allen, 1990; Mowday, Porter, and Steers, 1982; Steers, 1977) Many studies have confirmed that PCs that are more favorable are related to higher levels of organizational commitment (Cassar, 2001; Guest and Conway, 1997, 1998; Guest, Mackenzie, and Patch, 1998; Lester, Turnley, Bloodgood, and Bolino, 2002; Turnley and Feldman, 1998; Brink, Hartog, Koopman, and Van Muijen, 1999).

Affective commitment is positively associated with the PC dimensions of time frame, exchange symmetry, and contract level (Sels, Janssens, and Brande, 2004). There is a positive relationship between affective commitment and the PC dimensions of time frame, exchange symmetry, and contract level (Sels, Janssens, and Brande, 2004).
iv. **Job Satisfaction:** Job satisfaction is the function of the perceived relationship between what one wants from one’s job and what one get as offering (Locke, 1969). Following this logic, a discrepancy between promised and received inducements is likely to lead to feelings of dissatisfaction. Job satisfaction is the attitudinal response to PC. There is very strong empirical evidence which concludes a negative relationship between PC breach and employee job satisfaction (Coyle-Shapiro and Kessler, 2000; Robinson, 1996; Robinson and Morrison, 1995; Robinson, Ktaz, Rousseau, 1994; Rousseau, 1995; Turnley and Feldman, 1999; Bunderson, 2001; Conway and Briner, 2002; Deery, Iverson, and Walsh, 2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton and Griffin, 2004). Job satisfaction has been found to be related to relational aspects of the PC (Guzzo, Noonan, and Elron, 1994; Portwood and Miller, 1976; Robinson and Rousseau, 1994). Zhao et al., (2007) found breach to be strongly correlated with job satisfaction in a meta analysis study. The study also found that transactional breach had statistically effect on job satisfaction. However, the difference was not statistically significant. This study also concluded that global breach measure had a higher correlation than composite breach measures with job satisfaction. Pate, Martin, and McGoldrick (2003) empirically found that PCV impinged on employee attitudes such as job satisfaction and organizational commitment. Sutton and Griffin (2004) found post-entry experiences and PC violations to jointly predict job satisfaction, with PC violations demonstrating the stronger relationship.

v. **Innovative Work Behavior:** Janssen (2000) found that innovative work behavior (IWBs) are more likely to be the result of intrinsic motivations of the employees and may be the outcome of their perceptions of PC fulfillment. Employees may or may not feel obliged to engage in these behaviors. It largely depends on the extent to which they feel that their PCs have been fulfilled.

Ramamorthy, Flood, Slattery and Sardessai (2005) found that PC variable of perceived obligation to innovate, job autonomy, and pay directly influence IWB. Met expectations and perceived obligation to innovate will positively affect innovative work behaviors.
vi. **Cynicism:** Cynicism shares a reciprocal relationship with the PC. Cynicism has been defined as an attitude associated with disillusionment, distrust, and negative feelings toward another person or an organization (Andersson and Bateman, 1997). Employees develop cynical attitudes through their experiences with employers. The effect is stronger when the employer fails to fulfill employees’ expectations (Andersson, 1996).

Cynicism clutches with a host of negative implications for organizational functioning including a lack of willingness to engage in citizenship behaviors (Andersson and Bateman, 1997) and resistance to change (Reichers, Wanous, and Austin, 1997). Cynicism is generally considered as attitudinal response to PC breach (Robinson and Morrison, 1995). In addition, worry mediates the relationship between PC violation by a former employer and cynicism toward a new employer (Pugh, Skarlicki, and Passell (2003). PC violation by a former employer is positively related to cynicism toward one’s new employer. Violation is negatively related to trust in the new employer, and positively related to employee cynicism. Andersson and Bateman (1997) found that harsh and immediate layoffs led to employee cynicism. Review over organization cynicism and PC is mixed. There is some evidence in the review which indicate PC as determinant of organization cynicism. However, there has not been clear prediction either way.

Organizational cynicism exists when employees believe that their employing organization lacks integrity (Dean, Brandes, and Dharwadkar, 1998). More specifically, this perceived lack of integrity may result from perceived violations of fundamental expectations regarding sincerity, justice, and honesty (Dean et al., 1998). Organizational cynicism is an attitude that is not necessarily specific to a specific stimulus, but can relate to multiple factors and that can generalize from one factor to another (Andersson, 1996; Bateman, Sakano, and Fujita, 1992). Therefore, organizational cynicism is regarded as broader in scope than other attitudes such as job satisfaction, because it relates to a more diverse set of objects or foci (Andersson, 1996). A cynical employee is more likely to be suspicious about the employer intention and more likely to perceive the breach of PC. Therefore, cynicism is influenced by factors outside the boundary of PC. Further, cynicism is not just a
consequence of violation of specific promises to the employee, but of violation of
generalized expectations. Considering the complex relationship between cynicism and
PC, Johnson and O’Leary-Kelly (2003) found that PC breach and organizational
cynicism are indeed distinct constructs. In a confirmatory factor analyses the
independence of PC and cynicism was verified from relevant personality variables.
Cynicism about the organization was not significantly correlated with either an
employee’s trait cynicism or level of negative affectivity. Similarly, feelings of
contract breach were not significantly correlated with these personality traits. It is
argued that perceptions of contract breach may be more strongly related to cognitive
cynicism, while PC violation (which involves affective reactions) may relate more
strongly to affective cynicism.

Empirical research has found that PC breach is positively related to employee
cynicism (Bunderson, 2001; Conway and Briner, 2002; Deery, Iverson, and Walsh,
2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton
and Griffin, 2004). Johnson and Leary-Kelly (2003) found that cynicism partially
mediated the effects of PC breach on work-related attitudes (organizational
commitment, job satisfaction), but only PC breach (not cynicism) predicted
employees’ behavioral responses (performance, absenteeism). Further, affective
cynicism fully mediated the relationship between PC breach and emotional
exhaustion, suggesting that cynical attitudes have negative consequences for the
attitude holder. There is a positive relationship between an employee’s perception that
the employer has breached the PC and his/her cynicism about the employer (Johnson
and Leary-Kelly, 2003). PC breach is negatively related to employees’ in-role
performance and OCB, and positively related to absenteeism. The organizational
cynicism partially mediates the effect of PC breach on employees’ emotional
exhaustion (Johnson and Leary-Kelly, 2003).

vii. Mood and Emotions: PC plays a critical role in the everyday fluctuation in
emotions and daily mood. Broken promises are negatively related to daily mood and
associated with negative emotions. On the other hand exceeded promises are
positively related with daily mood and associated with positive emotional reactions
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(Conway and Briner, 2002). A healthy psychological contract therefore is believed to lead to positive moods and emotions for the employee.

viii. Exit, Voice, Loyalty, Neglect, and Violence: Employee reactions to breach is expressed in various ways: while some individuals step up their intention of departing the organization (exit), others choose various forms of expression (voice), while others reduce their commitment to the organization (loyalty) or their job involvement and organizational responsibilities (neglect), some employees become destructive and try to harm the organization (Violence) (Rusbult, Farell, Rogers, and Mainous., 1988; Withey and Cooper, 1989). Previous empirical studies predict that PC violations would be associated with exit and neglect (Turnley and Feldman, 1999; Lemire and Rouillard, 2005). Failure by an employer to honor its commitments strongly affects exit, voice, loyalty, and neglect variables.

ix. Corruption: Kingshott and Dincer (2008) proposed a model to explore the potential role of PCs (PCs) upon corrupt activities within the public sector. This model was based upon theoretical and empirical studies within the economics and management literatures. It was argued that functional work environments can foster corruption. Corruption occurs when managerial decision makers overlook the range of expectations embedded within the PC. Model proposed that contracts stimulate functional behaviors but when violations to these employee contracts occur, it was postulated that the resultant behavior could lead to corruption because of the need for employees to recover what they perceived are owed to them. It was proposed that a strong functional corporate society within the public service would results in the formation of the employee’s PC and functional citizenship behavior of its employees. Thereby, OCB and a strong PCs held by employees within the public service will reduce their propensity among employees to act corruptly. Violations to the PCs held by employees within the public services will reduce functional corporate citizenship and increase their propensity to act corruptly. This is the only study which modeled out the relationship between PC and corruption.

x. Organization Effectiveness/Performance and Individual Effectiveness/Performance: Most of the research has examined work performance in terms of fulfillment of formally prescribed job responsibilities and as the willingness to go above and beyond work responsibilities (OCB) (Kickul and Lester, 2001; Restubog
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and Bordia, 2006; Restubog, Bordia and Tang, 2006; Restubog et al., 2005; Robinson, 1996; Turnley et al., 2003). Empirical studies provide convincing evidence that perceived inducement breach is negatively related in-role performance (e.g., Bunderson, 2001; Lester et al., 2002; Robinson, 1996; Turnley and Feldman, 1999). In-role behaviors are defined as being part of one’s job and are recognized by the organization’s formal reward systems (Katz and Kahn, 1978). In-role performance is an employee obligation. An employee may refuse to fulfill this obligation if employee perceives that the employer did not fulfill its obligations.

PC violation reduces the organization performance which an organization incurs through heightened display of OCB (Coyle-Shapiro, 2002; Coyle-Shapiro and Kessler, 2000; Robinson, 1996; Robinson and Morrison, 1995). The studies have also reported PC breach is negatively related to task performance (Coyle-Shapiro and Kessler, 2000; Robinson, 1996; Robinson and Morrison, 1995; Robinson and Rousseau, 1994; Rousseau, 1995; Turnley and Feldman, 1999, 2000). Empirical research has found out that PC breach is negatively related to employee job performance (Bunderson, 2001; Conway and Briner, 2002; Deery, Iverson, and Walsh, 2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton and Griffin, 2004). There is a body of research which indicates that PC breach is negatively related to employees’ in-role performance. For example, in a longitudinal study, Robinson (1996) found that PC breach is negatively related to employees’ self-reports of their work performance. Similarly, Turnley and Feldman (1999) found that PC breach is positively related to employees’ neglect of their in-role job duties. It is expected that decreased employee performance in aggregate will lead to lowered organizational effectiveness and performance.

Individual effectiveness is the behavioral reaction to PC breach. As mentioned before, the affective reactions have intangible impact on the workplace, this is not so when it comes to the individual effectiveness (Harrison, Newman, and Roth, 2006).

Zhao et al., (2007) in a meta analysis found that in context to individual effectiveness breach was negatively correlated with two behavioral outcomes in role performance. When employees perceive that employer has not fulfilled the promises and obligations. Fulfillment of psychological contract is related with the self-rated employee effectiveness (Cuypers, Heijden, Witte, 2011). They reduce the efforts in
their work which brings down the performance of the organization (Lester et al., 2002). The performance reduces due to integrated effect of neglect, withdrawal behavior from the organization, absenteeism, stress, and cynical attitude. In general, both mutual investment and over-investment relationships are associated with higher levels of performance and more favorable attitudes than either the under-investment or quasi-spot contract.

**xi. Actual Turnover:** PC breach lead to various detrimental outcomes for the organization and one such outcome is actual turnover. Actual turnover has been found to be the most damaging among all. It not only influences the climate of the organization but further degrade the moral of the other employees. It reduces the performance and competence of organization by increasing costs of recruitment, cost associated with unstable work force, cost associated with investment made to employee in the form of training and development, and cost of leaving a skilled employee to the competitor, and hurt regular business operations as well as workforce morale (Kacmar, Andrews, Van Rooy, Steilberg, and Cerrone, 2006).

Empirical research in the past decade has found that PC breach is positively related to turnover (Bunderson, 2001; Conway and Briner, 2002; Deery, Iverson, and Walsh, 2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton and Griffin, 2004). Beside this several research efforts have demonstrated a positive relationship between breach of the PC and employee departure designs, and counterproductive behavior (Turnley and Feldman, 1999; Rusbult et al., 1988).

Violation of an individual’s PC results in behavior changes such as absenteeism and withdrawal of citizenship behavior (Guest and Conway, 1997, 1998). Additionally, Nicholson and Johns’ (1985) study applied the PC to absenteeism at work. They suggested that “the PC emerges from interaction and communication, effectively dictating how culture is acted out” (Nicholson and Johns, 1985, p. 398). Therefore it is “the psychological mechanism by which collective influence is translated into individual behavior” (Nicholson and Johns, 1985). In a meta analysis it was found that PCB is not related to actual turnover (Zhao, Wayne, Glibkowski, and Bravo, 2007).

**xii. Organization Citizenship Behavior:** Employees are less likely to engage in OCB when they perceive a negative relationship with their employer. Research has supported the findings that PC breach is negatively related to OCB (Bunderson, 2001;
Conway and Briner, 2002; Deery, Iverson, and Walsh, 2006; Johnson and O’Leary-Kelly, 2003; Pugh, Skarlicki, and Passell, 2003; Sutton and Griffin, 2004; Robinson and Morrison, 1995; Turnley and Feldman, 1999; Robinson, 1996; Robinson, Kratz, and Rousseau, 1994; Rousseau, 1995). Lo and Arye, (2003) revealed that PC breach negatively influences employee work outcomes. Specifically, contract breach was shown to be negatively related to civic virtue. Zhao et al. (2007) in a meta-analysis found that PC breach is negatively related to OCB. However, transactional breach had statistically smaller effect sizes than relational breach on OCB. Global breach measures had a higher correlation than composite breach measures with OCB. Perceived breach is negatively related to OCB (Zhao, Wayne, Glibkowski, and Bravo, 2007). PCV is not related to reduced effort and withdrawal of citizenship. Qualitative data highlighted contextual issue like labor market conditions, perceived job insecurity, sense of collegiality, and pride in the job to explain the empirical results (Pate, Martín, and McGoldrick, 2003). PC fulfillment is not significantly related to either dimension of OCB but perceived employer inducement is positively related to civic virtue and perceived employer obligations are positively related to loyalty (Coyle-Shapiro and Conway, 2005). Employees’ perceptions of contract violations by the organization are not related to OCBs (Tekleab and Taylor, 2003). Perceived inducements breach was negatively related to OC, organization citizenship behavior-Individual (OCBI), organization citizenship behavior-organization (OCBO), and work performance. Traditionality moderates the influence of perceived inducement breach on OC, OCBI, and work performance (Chen, Tsui and Zhong, 2008).

Employees will be motivated to reduce their extra-role behaviors when they perceive that their employment relationship is based on an unfair social exchange (Organ, 1990, 1994; Konovsky and Pugh, 1994; Van Dyne, Graham, and Diener, 1994). In order to restore the balance employee will reduce OCB (Organ, 1990; Organ, 1994).

Robinson’s work (Robinson, 1996; Robinson and Morrison, 1995) suggests that employees who perceive that they have not received all they were promised are less likely to engage in civic virtue behaviors. Similarly, Turnley and Feldman (1999) found that PC breach was negatively related to employee self reports of their loyalty behaviors. In addition, Tumley et al., (2003) found that PC breach was negatively related to OCB directed at the organization as well as to OCB directed at work colleagues. Thus, consistent with the results of prior research, it is expected that PC breach will be
negatively related to the performance of organizational citizenship behavior. Tumley et al. (2003) also found that PC breach was negatively related to the extent to which individuals engage in organizational citizenship behaviors to benefit their colleagues. Therefore, it is likely that PC breach will be negatively related to helping as well.

Restubog, Bordiaw, and Tangz (2007) studied the effects of PC breach on workplace deviant behaviors directed at the organization (WD-O) and its organizational members (WD-I), in-role performance, and OCB directed at the organization (OCB-O) and its co-workers (OCB-I). Followed by psychological contract across cultures, the section will discuss the organization citizenship behavior in detail highlighting its origin, types, theoretical perspectives, measures, issues, antecedents, and outcomes.

### 2.1.8 Psychological Contract across Cultures

PC varies from nation to nation and hence making it difficult for the organizations operating in multiple nations to settle on obligations and inducements. Employees of different cultures attach different values to the same inducements. However, the cross cultural studies have been limited to few dimensions of cultures like individualistic and collectivism dimension of culture.

Individualism refers to the tendency to view one’s self as independent of others and to be more concerned about consequences of behavior for one’s personal goals. Individualists’ norms for relationships tend to be based on what Fiske (1991) calls market pricing (Triandis, 1995). The exchange relationships are based on a function of market prices. There is a concern with the efficient use of resources, especially time. Decision-making is dominated by cost benefit and market forces approaches. Individual social identity is defined in terms of one’s economic role and achievement motivation tends to dominate. Aggression and conflict are based on protecting markets or profits and justified on the basis of utilitarian principles.

Collectivism refers to the tendency to view the self as interdependent with selected others, concern about consequences of behavior for the goals of the in-group and willingness to sacrifice personal interests for group welfare. Cognitions that focus on norms, obligations, and duties guide much of behavior and there is an emphasis on relationship formation even when the advantages to the individual are not clear. In Fiske’s (1991) terms, relationship norms for collectivists are founded in communal
sharing (Triandis, 1995). Communal sharing involves an exchange relationship in which individuals contribute what they can and freely take what they need from the common pool of resources. People derive their social identity from common origins such as ancestry or race and are motivated by a desire to be similar to others and to avoid standing out as different. There is strong in-group favoritism and conflict is expressed as out-group hostility. These orientations can be identified at the societal level (i.e., Japanese culture is more collectivist than the United States), but can also be examined with regard to the cultural profiles of individuals (Triandis, 1995). Thus, while national culture influences the cultural profile of individuals raised within it, individual sources of variation, such as idiosyncratic experiences and personality will also affect individuals’ value orientations. Individual level variation in cultural profiles should be most closely tied to individual perceptions of the exchange relationship and individual cultural profiles serve as the conduit of influence of that part of the mental programming of individuals that is shared in a society.

While empirical research on cross-cultural differences in PC is limited, the current section will attempt to highlight the variation and similarities in employment relationship across the globe. For instance, employees of United States and China have different tradition and their socio-economic environments suggest that employees of the two countries are likely to have very different perceptions of the nature of employer-employee relations in terms of both employer and employee obligations. US embody the tradition which focuses upon the independence of individuals and the specific, short term and contractual nature of relationships among individuals and between individuals and organizations (Hofstede, 1980; Thomas, Au, and Ravlin, 2003). In contrast, the Chinese has a collectivistic philosophy that stresses the interdependence and long-term mutual obligations among individuals and between individuals and organizations (Meindl et al., 1989; Singelis et al., 1995; Triandis and Gelfand, 1998). From the socio-economic perspective, prior to the introduction of economic reform programmes in the late 1970s, China operated under a centrally planned and monitored economic system. In such a system few incentives were given for organizations and individuals to produce economic results. This system had over time cultivated a tendency of dependence among Chinese employees who expected their employer to provide not only lifetime employment, but also welfare provisions, including pensions, housing, paid sick leave, meal services, health care, schools, and
recreation and day-care facilities (Walder, 1986; Zhu, 1995). Despite the provision of such extensive benefits, Chinese employees did not develop a very strong commitment to their work, as reflected by their low level of work effort and productivity (Stapanek, 1992; Yeung and Wong, 1990), and frequent use of work hours to run personal responsibilities (Beck and Beck, 1990; Stapanek, 1992; Yeung and Wong, 1990). Substantial changes have been introduced into China's employment system since 1979 in order to alter the level of employees' expectations of guaranteed job security and welfare benefits from their employers. This guaranteed lifelong employment is to a great extent been dismantled, and the practices of non-performance-based egalitarian reward systems in organizations have been challenged (Bu and Xu, 2000; Child, 1994; Warner, 1993, 1995). Despite these change initiatives, the Chinese employees' cognitive schema of what a typical employment relationship entails are deeply embedded in the cultural traditions and institutional arrangements. In context to the same King and Bu (2005) predicted that Chinese IT recruits are likely to have a stronger emphasis on the relational aspects of the employer obligations such as long-term job security, a weaker emphasis on the transactional aspects of the employer obligations, and weaker emphasis on both the transactional and relational aspects of the employee obligations. The results revealed that IT employees from China and the US hold many similar beliefs. With respect to employer obligations as perceived by employees, both national groups assign identical importance to high pay and long-term job security. This phenomenon is in line with a few studies which have found that the process of economic reform has successfully helped transform many human resource practices in China to bring them closer to the market-oriented human resource management systems practiced in the US (Bu and Xu, 2000; Zhu and Dowling, 2002; Zhu, 1995). The new generation of IT professionals from the two countries shares many identical expectations with respect to employees' relational obligations, including working overtime when necessary, volunteering for non-required tasks, and being loyal to their organizations. The two national groups were also similar on their expectations of employer obligations in some IT-specific areas, including providing new employee orientation, adequate job autonomy, exciting projects, and opportunities to work on leading-edge technology and financial rewards if employees obtain IT certificates.
On basis of these findings it can be said the employer need to be careful about analyzing any culture on the basis of traditional findings. It is important to consider the transformation which cultures are experiencing due to globalization.

Culture also differentiates the way leaders or supervisor leads their subordinates. In a study conducted in Taiwan, Cheng et al., (2004) found that benevolence was highly correlated with individual consideration-one of the dimensions of transformational leadership developed in western settings.

Further, the PC varies across nations because of different understanding and constituents of promises, expectations, and beliefs. Employees’ zone of negotiability and tolerance for breach differ. The legal and social climate differ around which PC are formed influence employment relationship. The PC across some of the countries is as follows:

i. **Psychological Contract in Belgium:** The employment relationship in Belgium is of relational type PC. Employees prefer job security, job stability, and a standard job contract in exchange of loyalty. Employees have respect for authority with stronger prominence on equality rather than on equity. Such employment contract is believed to be rooted in the tradition of social consultation and negotiation. Employees attempt to maintain balance between personal autonomy, collective negotiation, security, peace, belongingness, and laws (Sels, Janssens, Brande, and Overlaet, 2000).

ii. **Psychological Contract in Japan:** Japan is moving towards a significant shift in the psychological contract. On one side the traditional employment contract of security is fading and on the other side firms are modifying their HR practices in order to move with the global change in the society. The psychological contract is moving in the direction of transactional psychological contract. However, it is difficult to completely challenge the strongly regulated labor markets and societal expectations (Morishima, 2000).

iii. **Psychological Contract in Mexico:** The psychological contract in Mexico is influenced by history and culture. Due to the global influence, the employees and Mexico aspire to grow with the global pace. Consequently, lead to the shift in the psychological contract and expectations pertaining to the employment (Diaz-Saenz and Witherspoon, 2000).
iv. **Psychological Contract in Netherland:** The Dutch psychological contract is characterized by dualism. Dutch value, freedom, value security, and stability. Equality is considered important, but the workforce represents very low percentage of women in it. The government is also argued to follow the dual policy. Employees are allowed to make free choices and are protected from employers. Netherland is moving from collectivistic to individualistic in their employment relationship. The employees prefer a long term and stable employment. However, this trend is weakening as flexibility in becoming a norm in the society (Freese and Schalk, 2000).

v. **Psychological Contract in India:** The workforce in India largely works in private sector, public sector, multinational companies, family run companies, and unorganized sector. In private sector, there are no strong laws to regulate the employment relationship. The employment relationship is largely governed by social and legal climate of the country. Therefore, the zone of negotiability is very broad. Therefore, the psychological contract is idiosyncratic. It is argued that due to historical roots of British rule, Indian employees are submissive and have respect for authority. In manufacturing units of India, there are sufficient labor laws to direct the relationship between an employer and employee. The contracts are negotiated with labor unions. Therefore, the implicit and idiosyncratic nature of PC gets diluted in context to blue-collar employees. It is argued that in family run business, the personal favors are the part of unwritten contract and an employee cannot reach high in the ladder in the organization. The contract is largely relation due to open ended terms, long term relationship, and loyalty. In multinational companies, the PC is similar to the parent company. The unorganized sector employs about 90% of Indian workforce, as farmers, weavers, carpentry, and personal help (etc.). The relationship is highly imbalanced (Shah, 2000).

The figure 2.1 presents the diagram illustrating the correlates of psychological contract. The diagram illustrates the complexity associated with psychological contract. The coming section discusses the organization citizenship behavior.
Figure 2.1: Correlates of Psychological Contract
2.2 ORGANIZATION CITIZENSHIP BEHAVIOR (OCB)

2.2.1 Historical Roots of Organization Citizenship Behavior

Chester Barnard was the first one to introduce importance of an employee's "willingness to cooperate" in the literature of organizational behavior (Organ, 1990). Barnard proposed that "the willingness of persons to contribute efforts to the cooperative system is indispensable" (Organ in Staw and Cummings, 1990, p. 44). In 1938, Chester Barnard analyzed the nature of the organization as what he called a "cooperative system." He raised very important questions for organizations like: Why do organizations exist? What sustains their existence? What creates the need for authority? Prior to this strong emphasis was placed on formal structure and controls in an organization.

Barnard (1938) provides organizational theory based on structural concepts of: the individual and bounded rationality, cooperation, formal organization, and informal organization. Dynamic concepts include: free will, communication, a consent theory of authority, the decision process, dynamic equilibrium, and the inducement-contributions balance, and leadership and executive responsibility. This section would cover these concepts in the context of OCB.

Employees can cooperate when the organization’s functions and structure is planned accordingly. Barnard stated that “cooperation is the genuine restraint of self, service for no reward, courage to fight for principles and genuine subjection of personal to social interests. When a cooperative system’s purpose is attained, cooperation is effective” (1938, p. 43). Barnard recognized the importance of confidence, sincerity, and integrity of management for cooperative effort to occur. Barnard mentioned that “When a condition of honesty and sincerity is recognized to exist, errors of judgment, defects of ability, are sympathetically endured. Employees don’t ascribe infallibility to leaders or management. What does disturb them is insincerity and the appearance of insincerity when the facts are not in their possession” (1948, p. 11).

Barnard differentiated between formal and informal organization. “Informal organization” was considered very critical for the organization. Informal organization encourages willingness to contribute among employees. Barnard viewed informal
organization as complementary to formal organization. It is the informal organization which stabilizes the formal organization. Barnard argued that the more contribution can be secured from “willingness”. It reduces the burden on the formal organization. Informal organization improves communication, enhances cohesiveness within formal organization, and protects the integrity of individuals. Informal organization “is to be regarded as a means of maintaining the personality of the individual against certain effects of formal organizations which tend to disintegrate the personality” (Barnard, 1938, p. 122). Barnard highlighted the difficulty in maintaining the cooperative systems without informal organization. Barnard emphasizes that formal organization in itself cannot be successful.

Barnard emphasized the importance of leader and leadership in securing cooperation. While cooperation is the creative process, leadership is the “indispensable fulminator of its forces” (1938, p. 259). Leadership according to Barnard is “connected with knowing whom to believe, with accepting the right suggestions, with selecting appropriate occasions and times an understanding that leads to distinguishing effectively between the important and the unimportant in the particular concrete situation, between what can and what cannot be done, between what will probably succeed and what will probably not, between what will weaken cooperation and what will increase it” (Barnard, 1948, pp. 86-87).

Barnard integrated the concept of leadership and faith in his cooperative system: “the power of individuals to inspire cooperative personal decision by creating faith: faith in common understanding, faith in the probability of success, faith in the ultimate satisfaction of personal motives, faith in the integrity of objective authority, and faith in the superiority of common purpose as a personal aim of those who partake in it” (Barnard, 1938, p. 259).

In summary the work of Barnard, suggested the importance of spontaneous contributions by individuals that go beyond the contractual relationship and obedience to legitimate mediated by the formal organization.

Katz and Kahn (1966) argued that effective organizations must evoke three different forms of contributions from participants for successful functioning of 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.

Extending the concept of extra role behavior, Katz and Kahn noted that “the patterned activity which makes up an organization is so intrinsically cooperative and interrelated that it tends to resemble habitual behavior of which we are unaware” (Katz and Kahn, p. 339, 1978). Such extra role behaviors are spontaneous and routine enough for organization not to take into account and tend to take it for granted.

Extra-role cooperative behavior includes employees’ actions and behavior that support or enhance an organization’s production system, public image, performance. Further, such actions facilitate other employees to improve their skills and abilities. The essential aspect of these actions is that they all describe performance beyond a person’s formal job role requirements that serve to achieve organization goals.

Katz and Kahn recognized that the three essential functions are operated from different motivational patterns. System rewards are the rewards which employees get by virtue of organization membership. Such rewards serve the purpose of attracting and retaining employees but do not offer incentive for in-role performance above the minimal standards but do not motivate employees for extra-role behaviors. It is intrinsic motivation which maintains extra role performance and does not require any mandate from the organization. Such activities provide intrinsic rewards, hence does not bind employee and organization. Therefore these three categories of behavior are originated and motivated by different conditions. Further, it was argued that organization’s reaction to any of the category of behavior could enhance one form of behavior or reduces the occurrence of other form of behavior. It has been argued that system rewards fail to motivate incremental performance within the system, Katz and
Kahn did maintain that system rewards do manage to foster a generalized attraction from the employees. It can also lead to a higher incidence of cooperative relations among members. To have the constructive effects of system rewards, it is important for management to ensure that system rewards are perceived as equitable and just by employees. System reward implemented correctly ensures that employees do not violate the law, it further enhance the willingness to contribute beyond the formal contractual obligations. OCB does not merely means compliance rather than active involvement into the promotion of community. Employees can only be expected to behave like good citizen, and when employee are treated with respect and should be given due rights and privileges.

Katz and Kahn also highlighted that differentials in rewards within the system motivate employees who have the ability to exceed the minimal criteria. However, varying rewards run the risk of violating the sense of equity. This might influence the sense of citizenship adversely among employees receiving lesser remuneration.

The term OCB was first coined by Bateman and Organ (1983), as ‘innovative and spontaneous activity that goes beyond role prescriptions’, and distinction between dependable role performances. Terminologies like “willingness to cooperate” (Barnard, 1938), “organizational loyalty” (Hirschman, 1970; Hage, 1980), “organizational commitment” (Mowday, Porter, and Steers, 1982), and “extra-role behaviors”, (Van Dyne, Cummings, and McLean Parks., 1995), such as “organizational citizenship behavior” (Organ, 1988), “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.

2.2.2 Concepts and Definitions

OCB consists of employee behavior that has an overall positive impact on the functioning of the organization; this behavior is beyond legal or employment contract. Despite significant growth in the development of OCB there are debates regarding theoretical foundation of OCB, contents, causes, and possible effects of OCB (Podsakoff, MacKenzie, Paine, and Bachrach, 2000). OCB focus on explaining the
helping behavior or going “out of the way” behavior of employees at workplace. There is no consensus over any precise definition of OCB. The most popular definitions in the literature are:

“Individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization” (Organ, 1988, p. 4).

“Functional, extra-role, pro-social organizational behavior, directed at individuals, groups, and/or an organization” (Schnake, 1991, p. 736).

“Discretionary behaviors on the part of a salesperson that directly promote the effective functioning of an organization, without necessarily influencing a salesperson’s objective sales productivity” (MacKenzie et al., 1993, p. 71).

"Extra-role behavior" defined as "behavior which benefits the organization and/or is intended to benefit the organization, which is discretionary and which goes beyond existing role expectations" (Van Dyne et al., 1995, p. 218).

“As contributions to the maintenance and enhancement of the social and psychological context that supports task performance” (Organ, 1997, p. 91).

In summary, these definitions illustrate OCB as an individual’s discretionary behavior, which is not mandatory or enforced by the organization. This behavior is not directly or explicitly recognized by the formal reward system and it in the aggregate promotes the effective functioning of the organization. Organ (1988) also called OCB as “good behavior syndrome”. Organ’s conceptualization of OCB includes five behavior types – altruism, courtesy, sportsmanship, conscientiousness, and civic virtue. Organ’s OCB construct is based upon the notion of Barnard (1938) and Katz's (1964). The research on OCB so far is focused upon the relationships between OCB and other constructs than on the dynamics of OCB itself. Therefore, there is lack of consensus over what, how, and why OCB. OCB is motivational based and hence various needs of an employee initiate OCB, direct it, and accounts for its termination.

Van Dyne et al. (1995) definition of OCB included term “extra role behavior” was criticized by Organ (1997). Organ argued that definition by Van Dyne is subjective, implicit and did not provide much clarity. Also, this definition does not provide
clarity in the distinctions between antecedents and behaviors. This definition is based upon the assumption that employee’s intention is to benefit the organization. Beside criticism by Organ it did manage to get support from some authors. The existence of factors which account for positive and negative “extra-role” behavior that influence productivity has been acknowledged by organization (Katzell and Yankelovich, 1975). Extra role behavior is believed to influence performance evaluations (MacKenzie, Podsakoff, and Fetter, 1991) and employee participation programmes (Graham and Verma, 1991). Further, extra role behavior is a factor in job involvement, organization commitment, and self-esteem (Schanke, 1991).

Borman and Motowidlo (1993, 1997) proposed another construct called ‘contextual performance’ related to OCB that contribute to the effectiveness of the organization by shaping the organizational, social, and psychological context. It is different from the “task performance” which refers to the employee effectiveness in a particular task which contributes to the organization’s technical competence and by “contextual performance” authors suggested work behaviors beyond the boundaries of task performance. Their classification of contextual performance includes persisting with enthusiasm and extra effort as necessary to complete task successfully, volunteering to carry out task activities that are not formally perceived, helping and cooperating with others, following organizational rules and procedures, and endorsing, supporting, and defending organizational objectives. Van-Scotter and Motowidlo (1996) proposed that contextual performance should be separated into the two narrower constructs of “interpersonal facilitation” and “job dedication,” which are similar to Organ’s interpersonally directed and organizationally-directed factors respectively. However, Organ (1997) suggested that Borman and Motowidlo's (1993) construct of "contextual behaviors" has provided a more acceptable definition of OCB. Contextual behaviors support the must function and does not support the technical core itself (Borman and Motowidlo, 1993). This definition is not clouded by notions of discretion, rewards, or intent of the actor. This definition only assumes that the behaviors should support “the organizational, social, and psychological environment” rather than the “technical core.” There is no specific motive presumed on the part of employee, nor are there any other contingent antecedents. A certain degree of subjectivity persists between
what is and is not included in the technical core. Summarizing all the definitions of OCB the distinction between the in-role/extra-role for desired discretionary work behaviors remains ambiguous.

Most of the definition of OCB consistently includes prosocial behaviors (Brief and Motowidlo, 1986), punctuality, helping others, innovating, and volunteering (Organ, 1988), as well as the lack of undesirable actions such as complaining, arguing, and finding fault with others (Organ, 1990). OCB is job-related, but not tied to the formal reward system, and it functions to advance the effective operation of the organization.

2.2.3 Types of Citizenship Behavior

Despite the growing interest in citizenship-like behaviors, a review of the literature reveals a lack of consensus about the dimensionality of this construct. Podsakoff et al., (2000) identified 30 potentially different forms of citizenship behavior. The OCB behavior in the literature has been broadly classified under seven themes. (i) Helping Behavior, (ii) Sportsmanship, (iii) Organizational Loyalty, (iv) Organizational Compliance, (v) Individual Initiative, (vi) Civic Virtue, and (vii) Self Development.

i. **Helping Behavior:** Helping behavior has been identified as the most important and critical form of citizenship behavior by invariably everyone who has worked in this area. This includes voluntarily helping others with and preventing the occurrence of work-related problems. Assistance to new employees or providing colleagues with advice. There is no study according to my knowledge where helping behavior has not been considered either in theoretical and empirical explanation. Conceptually, helping behavior involves voluntarily helping others at workplace. The first part of this definition (helping others with work-related problems) includes Organ’s altruism, peacemaking, and cheerleading dimensions (Organ, 1988, 1990); Graham’s interpersonal helping (Graham, 1989); OCB-I (Williams and Anderson, 1991); interpersonal facilitation (Van Scotter and Motowidlo, 1996); and the helping others constructs from George and Brief (1992) and George and Jones (1997). The second part of the definition captures Organ’s (1988, 1990) notion of courtesy, which involves helping others by taking steps to prevent the occurrence of problems for coworkers, exhibiting polite, and soft behavior towards colleagues. Empirical research
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(MacKenzie et al., 1993; MacKenzie, Podsakoff, and Rich, 1999; Podsakoff and MacKenzie, 1994; Podsakoff, Ahearne, and MacKenzie, 1997) has generally confirmed the fact that all of these various forms of helping behavior load on a single factor.

ii. **Sportsmanship:** Sportsmanship is another dimension of citizenship behavior that has received relatively less attention from the researchers. Organ (1990, p. 96) has defined sportsmanship as “*a willingness to tolerate the inevitable inconveniences and impositions of work without complaining.*” Employees performing in this zone often avoid complaining about work life or trivial matters or tend to express a positive attitude even when others do not follow their own particular way of working. Podsakoff et al (2000) found the label of this construct too broad for its narrow definition. Researchers further stated that “good sports” are people who do not complain when they are inconvenienced by others, they maintain a positive attitude even when things do not go the way they want, are not offended when others do not follow their suggestions, are willing to sacrifice their personal interest for the good of the work group, and do not take the rejection of their ideas personally.

iii. **Organizational loyalty:** Organizational loyalty consists of loyal boosterism and organizational loyalty (Graham, 1989, 1991), spreading goodwill and protecting the organization (George and Brief, 1992; George and Jones, 1997), and the endorsing, supporting, and defending organizational objectives construct (Borman and Motowidlo, 1993, 1997). Essentially, organizational loyalty entails promoting the organization to outsiders, protecting and defending it against external threats, and remaining committed to it even under unfavorable conditions.

iv. **Generalized Compliance:** Organizational compliance has been widely used to measure OCB. Different terms have been used to study generalized compliance. The different terms used so far are: generalized compliance (Smith et al., 1983); organizational obedience (Graham, 1991); OCB-O (Williams and Anderson, 1991); following organizational rules and procedures (Borman and Motowidlo, 1993); and job dedication construct (Van Scotter and Motowidlo, 1996). This dimension appears to capture a person’s internalization and acceptance of the organization’s rules,
regulations, and procedures, which results in a conscientious adherence to them, even when no one observes or monitors compliance. Employees’ behavior exceeds any enforceable minimum standards; workers willingly go far beyond stated expectations. This behavior is regarded as a form of citizenship behavior is that even though everyone is expected to obey company regulations, rules, and procedures at all times, many employees simply do not.

v. Individual Initiative: Another dimension that several researchers have identified as a form of citizenship behavior is called individual initiative. This form of OCB involves engaging in task-related behaviors at a level that is beyond minimally required as a part of job. Individual initiative is attached to OCB on the grounds that change or innovation initiation is far beyond the actions minimally required on the day-to-day level. Behaviors referred to in this dimension include making innovative suggestions to improve a department or organization and implementing an externally imposed change. Such behaviors include voluntary acts of creativity and innovation designed to improve one’s task or the organization’s performance, persisting with extra enthusiasm and effort to accomplish one’s job, volunteering to take on extra responsibilities, and encouraging others in the organization to do the same. All of these behaviors share the idea that the employee is going “above and beyond” the call of duty. This dimension is comparable to Organ’s conscientiousness construct (Organ, 1988), Graham’s and Moorman and Blakely’s personal industry and individual initiative constructs (Graham, 1989; Moorman and Blakely, 1995), George’s making constructive suggestions construct (George and Brief, 1992; George and Jones, 1997), Borman and Motowidlo’s persisting with enthusiasm and volunteering to carry out task activities constructs (Borman and Motowidlo, 1993, 1997), Morrison and Phelps’ taking charge at work construct (Morrison and Phelps, 1999), and some aspects of Van Scotter and Motowidlo’s job dedication construct (Van Scotter and Motowidlo, 1996). Organ (1988) argued that this form of behavior is among the most difficult to distinguish from in-role behavior, because it differs more in degree than in kind. Therefore, perhaps it is not surprising that some researchers have not included this dimension in their studies of OCB (MacKenzie, Podsakoff, and Fetter, 1991; MacKenzie et al., 1993) or have found that this behavior is difficult to distinguish.
empirically from in-role or task performance (Motowidlo, Borman, and Schmit, 1997; Van Scotter and Motowidlo, 1996).

vi. *Civic Virtue:* The next dimension is derived from Graham’s discussion of the responsibilities that employees have as “citizens” of an organization (Graham, 1991). Civic virtue represents a macro-level interest in, or commitment to, the organization as a whole. This is shown by a willingness to participate actively in its governance (e.g., attend meetings, engage in policy debates, express one’s opinion about what strategy the organization ought to follow, etc.). To monitor the organization’s environment for threats and opportunities (e.g., keep up with changes in the industry that might affect the organization), and to look out for organization best interests (e.g., reporting fire hazards or suspicious activities, locking doors, etc.), even at great personal cost. This dimension has been referred to as civic virtue by Organ (1988, 1990b), organizational participation by Graham (1989), and protecting the organization by George and Brief (1992).

vii. *Self development:* The final dimension is self development. Based on the work of Katz (1964) and, George and Brief (1992) identified developing oneself as a key dimension of citizenship behavior. Self-development includes voluntary behaviors employees engage in to improve their knowledge, skills, competencies, and abilities. According to George and Brief (1992) this include seeking out advantage of advanced training courses, keeping abreast with latest developments in one’s area, learning new skills, and sharpening the competencies to add valuable contributions to an organization. Though, self-development has not received any empirical confirmation in the citizenship behavior literature. However, it does appear to be a discretionary form of employee behavior that is conceptually distinct from the other citizenship behavior dimensions, and might be expected to improve organizational effectiveness through somewhat different mechanisms than the other forms of citizenship behavior.

### 2.2.4 Why does Employees Indulge in OCB?

Review supports various motivational mechanism and needs of employees which drive them to exhibit OCB behavior. MacKenzie, Podsakoff, and their colleagues (MacKenzie et al., 1991, 1993; Podsakoff, MacKenzie, and Hui, 1993) have
suggested several factors which answer employees display OCB. The reasons for indulging in OCB ranges from norms of reciprocity, fairness, pro-social temperament, and impression management.

The norm of reciprocity suggests that people try to reciprocate those who help them, do them a favor, or treat them fairly (Gouldner, 1960; Homans, 1961; Blau, 1964). Hence, employee engages into OCB in order to show obligation towards organization. Therefore, if citizenship behaviors have positive effects for both the manager and the organization, managers might repay employees who exhibit OCB. However, this could also be due to the effect of sense of fairness by giving them higher performance evaluations. The social exchange theory supporting this suggests that employees who consider themselves in conditions of social exchange are more likely to exhibit OCB (Bateman and Organ, 1983). As social exchanges exist outside the prescribed job descriptions, allowing for discretionary acts by the individual (Moorman, 1991).

The second explanation comes from the implicit performance theories. When employees believe and perceive that there is a link between OCB and performance. Similarly, if a manager implicitly believes that citizenship behavior and overall performance are related, and the manager frequently observes an employee engaging in citizenship behaviors, “implicit performance theory” says that it might cause manager to infer that an employee is a high performer (Berman and Kenny, 1976; Bruner and Tagiuri, 1954).

Thirdly, some employees are predisposed to helping behavior. Prosocial/pro-organizational motives for OCB include “the genuine desire to help out” (Bolino, 1999, p. 89), “the intention to maintain the other’s well-being” (Schnake, 1991, p. 740), and commitment towards the organization and a desire to benefit the organization (Rioux and Penner, 2001). Here, employees engage in citizenship behaviors because they are predisposed to do so and this behavior would seem to be intrinsically motivated.

Impression management oriented motives for OCB (Bolino, 1999; Bolino, Turnley, and Niehoff, 2004; Ferris, Bhawuk, Fedor, and Judge, 1995) may entail the anticipation of positive appraisals and consequent rewards (Rioux and Penner, 2001).
Impression management has been defined as “those behaviors individuals employ to protect their self-images, influence the way they are perceived by significant others, or both” (Wayne and Liden, 1995, p. 232). It has been argued that the resulting behavior is ‘organizational political behavior’ rather than OCB. Further, such behavior are opportunistic behavior but are superficially exhibited as prosocial behavior. The impression management set of forces that some employees exhibit OCB for self-serving reasons and this behavior would appear to be extrinsically motivated.

Finally, the social cognitive theory (Bandura, 1997, 1986; Wood, 1989) explains the OCB mechanism through a triadic, reciprocal causation relationship among three separate but related factors that is individual characteristics (e.g., cognitive and affective traits), behavior (e.g., those behaviors that produce outcomes), and environment (e.g., the social structure). According to social cognition theory (SCT), the individual, behavior and environmental factors interplay and direct OCB.

McClelland (1961) argued that underlying motives determine the display of OCB. McClelland’s work suggested that people have some degree of achievement, affiliation, and power motives. The achievement motive pushes people to perform in terms of a standard of excellence, seeking the accomplishment of a task, and challenge, or competition. The affiliation motive pushes people toward establishing, maintaining, and restoring relationships with others. The power motive pushes people toward status and situations in which they can control the work or actions of others.

The motives behind OCB have also been explained by cognitive evaluation theory (CET), this theory suggest that there are two motivational subsystems: an extrinsic subsystem and an intrinsic subsystem (Deci, 1971). Deci hypothesized that intrinsically motivated people have an “internal locus of causality”, that is intrinsically motivated people attribute the cause of their behavior to their internal needs and perform behaviors for intrinsic rewards and satisfaction. However, association of rewards and feedback systems with intrinsic motivated behavior may lead individuals to question the true causes of their behavior (Deci and Ryan, 1985). If these individuals begin to attribute their behavior to situational factors, the shift from
internal to external causation results in a decrease in intrinsic motivation (Deci and Ryan, 1990). Situational variables such as reward systems are only detrimental to feelings of intrinsic motivation if they are perceived by individuals as “controlling” their behavior (Ambrose and Kulik, 1999). Employees might analyze situational variables as “controlling” when they perceive the organization as forcing them to perform tasks or behaviors that are not part of their formal job duties (e.g. extra-role behaviors). Research concerning CET has shown that the characteristics of the work environment perceived as “controlling” are likely to inhibit intrinsic motivation. For example, researchers have explored the effects of performance evaluation and supervisory style on creativity, and have found that creativity was highest in work environments characterized by supportive and non-controlling supervision (Amabile et al., 1990). Moreover, research has also shown that individual goals and financial rewards typically discourage employees from displaying OCB while group or organizational-level rewards result in more OCB (Deckop, Mangel, and Cirka, 1999; Wright, George, Farnsworth, and McMahan, 1993).

Therefore, it seems plausible that the effects of evaluating and rewarding OCB will likely differ depending on the motivation of the individual exhibiting OCB. For instance, if an employee who is intrinsically motivated to perform OCB is rewarded for this behavior, it may have the unintended effect of inhibiting OCB in future. In contrast to the intrinsically motivated employee, if a person engages in OCB for impression-management purposes (i.e. extrinsically motivation) and is rewarded for this behavior through the performance appraisal and reward systems, this increases the likelihood that this employee will continue to engage in citizenship behaviors. However, research whether external rewards encourage or discourage OCB has been mixed (Deckop et al., 1999; Wright et al., 1993). This is certain that employees, who engage in OCB for extrinsically motivated or self-serving reasons, will likely respond favorably to formal evaluation and reward of OCB. As this fulfill their motive behind exhibiting OCB.
2.2.5 Concept of Pseudo Organization Citizenship Behavior

Snell and Wong (2007) first highlighted the concept of pseudo OCB. There is very high probability that some employee belief that they are high on OCB either out of false self-prophecy or simply attempt to project them as favorable. Similarly, some employees due to selective information attribute others as high on OCB when they are not. Snell and Wong termed “pseudo OCB” for the type of citizenship-related impression management, refers to mere posing, or pretence of, engaging in OCB without actually engaging in OCB. The dictionary definition of ‘pseudo-' is ‘not genuine but having the appearance of’ (Wordnet, 2005). In the context where OCB is primarily attributed to impression management motives, colleagues regard one another as engaging in (alleged) pseudo-OCB, rather than as performing ‘true acts of citizenship’ (Bolino, 1999, p. 96), they may not regard such action as socially desirable. In a qualitative research by Snell and Wong (2007) it was found out that employees differentiated between good soldiers that is actual OCB and good actors that is pseudo OCB by observing willful behavioral inconsistency, attributed as a self-serving discrepancy between engaging in OCB in certain contexts but not in other contexts; and alleged false pretence, attributed as a self-serving discrepancy between colleagues’ claims or allusions about having engaged in OCB and their actual deeds. There are various factors which leads to organization citizenship behavior and these actors are discussed the coming section of antecedents of organization citizenship behavior.

2.2.6 Antecedents of Organization Citizenship Behavior

The antecedents to organization citizenship behavior are categorized broadly into individual factors and organizational factors and they are discussed below:

2.2.6.1 Individual Factors

i. Age: Age is very critical variable in any study pertaining to organization behavior. The notion that younger and older employees view work and self in fundamentally different ways is not new. Wagner and Rush (2000) pointed out that early years (20-34) are the years of establishment and settling down; later years (35-55) are strong sense of self and location vis-à-vis life and work. The authors further
argued that younger employees coordinate their needs with organizational needs more flexibly; by contrast, older employees tend to be more rigid in adjusting their needs with the organization. Therefore, younger and older workers may differ in their orientations toward self, others, and work. These differences may lead to different salient motives for OCB among younger and older employees. Pettit, Donohue, and Cieri (2004) found that age influence OCB. Older employees scored significantly higher in terms of their levels of OCB than younger employees. Age and experience in multiple correlations was significantly related to OCB. (Murphy et al., 2002) Hence, age would produce variation, not only in the motives behind OCB but also in the expression of OCB. However there are no conclusive studies and research done on the effect of age on OCB.

ii. **Gender:** Research does not provide strong linkage between gender and OCB (Diefendorff, Brown, Kamin, and Lord, 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Spector and Fox, 2002). The finding that gender is not related to citizenship behaviors is somewhat surprising, given that Kidder and McLean Parks (1993) discussed a number of plausible theoretical reasons for difference in exhibition of OCB by males and females. Authors noted that empathetic concern and perspective taking should influence both helping behavior and courtesy, and both of these traits are associated with females (Davis, 1983). Conversely, Kidder and McLean Parks (1993) argued that males are more likely to engage in conscientious behavior than females, because this type of behavior suggests an exchange orientation or an emphasis on quid pro quo, frequently associated with a male preference for equity over equality. Men are described as exhibiting aggression, competitiveness, assertiveness, individualism, task-orientation, and a focus on material success. Women are considered to exhibit nurturance, kindness, loquaciousness, warmth, an emotion-orientation, and a concern for the quality of life (Archer and Lloyd, 1985; Gefen and Straub, 1997; Tannen, 1994). Thus, females are expected to show OCB towards colleagues and Supervisor.

iii. **Tenure:** The meta review by Podsakoff (2000) and various other studies could not provide any conclusive evidence for the relationship between tenure and OCB. Similarly, Pettit, Donohue, and Cieri (2004) found no relationship between tenure and OCB. Thau,
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Bennett, Stahlberg, and Werner (2004) found that the (zero-order) effect of tenure on OCB is negative. Authors further reasoned that a long employment history in one organization reflects successful past exchanges (Buskens, Raub, and Snijders, 2003). There are limited studies (Podsakoff et al., 2000, p. 527) which have controlled for this relationship except in the work of Van Dyne and LePine, maybe because tenure has been judged to be unimportant for OCB (Organ and Ryan, 1995, p. 789).

iv. **Ability, Experience, and Knowledge:** In the literature of OCB the results have been mixed when it comes to the relationship between employee’s abilities, experience, training and knowledge. Experience in multiple correlations was significantly related to OCB (Murphy et al., 2002). Most of the studies could not produce anything in conclusive terms. In the classic meta review by Podsakoff and Colleagues (2000), it was found out that none of employee characteristics including ability, experience, training, knowledge, and need for independence share any consistent strong relationship with any of the citizenship behaviors.

v. **Career Orientation:** Career orientation is a more stable, longer-term and deeper definition of work identity than just occupying the job or being part of the organization (Delong, 1982). It is a person’s subjective career self-identity about work and life and his/her role within it (Derr and Laurent, 1989). It focuses both on what one wants or thinks is important and what he/she feels and believes he/she can do best (Schein, 1971; Schein, 1978; Van Maanen and Schein, 1977).

Internal career orientations comprise a person’s motives, values, and talents. Therefore, reasonable to postulate that those with different internal career orientations will correspondingly engage in different organizational citizenship behavior (Chompookum and Derr, 2004).

Employees with getting ahead or getting high career orientations may engage in less OCB because they highly value advancement and exciting work, respectively (Delong, 1982). They tend to focus on their in-role jobs in order to meet their psychological needs (e.g. getting exciting work) rather than investing resources in displaying OCB. They engage in OCB to get fair evaluation and to avoid unexpected
negative consequences. They may exhibit some degree of OCB in order to gain a
sense of belonging to the organization and colleagues.

Employees with getting balanced and getting free internal career orientations are less
likely to show OCB. Getting balanced people want work, family, and self-care (Derr
and Chilton, 1983). Due to time-constraints, they just do what is expected out of their
contractual obligation. Getting free careerists strive for personal freedom and
autonomy. They perform exceptionally in order to gain autonomy in return and strive
to reduce organizational interdependencies (Derr, 1986). On similar lines Puffer
(1987) found that the need for autonomy, which is the prominent need of individuals
with getting free orientations, related negatively to OCB.

Chompookum and Derr (2004) proposed individuals with getting secure orientations
would tend to show the highest level of OCB. Whereas, individuals with getting
ahead and getting high orientations would tend to show moderate levels of OCB and
individuals with getting balanced or getting free orientations would tend to show the
lowest levels of OCB.

vi. **Personality:** Personality variables have been linked to a number of
organizational variables and OCB is no exception (Organ and Lingl, 1995; Organ and
Ryan, 1995). Researchers have suggested that especially five basic traits/factors
account for most of the variance in personality (Barrick and Mount, 1991; Costa and

Research has suggested that negative affectivity, conscientiousness, and agreeableness
have all been found to predispose people to orientations that make them more likely to
engage in OCB (Organ and Ryan, 1995). OCB does not seem to depend on
personality traits such as extraversion, introversion, or openness to change.
Personality may be an important measure in order to control for its influence on
behavior or to investigate any moderating effects it may. Organ and Ryan (1995)
found a significant relationship between conscientiousness and altruism. However,
this relationship became non significant when studies with self-rated OCB were
excluded from the analysis. Similarly, the correlation between positive affectivity and
altruism dropped from .15 (significant) to .08 (non significant) when this bias was
controlled. The relationship was weaker when common method variance was controlled (Podsakoff et al., 2000). Personality allows individuals with different profiles to react differentially to different work situations (Costa, 1996). For example, an agreeable person would be interpersonally attractive and likeable (Barrick and Mount, 1991). Measures of personality seldom account for large portions of variance in behaviors in tightly controlled situations. Yet, personality has predictive power in “weak situations” (Mischel, 1990). Situations when environments are less clearly structured in terms of prescribed behavior. It would seem that OCB, by its very nature, represents behavior that occurs in weak situations (Organ, 1994). Therefore, personality factors can be expected to account for variance in OCB (Rioux and Penner, 2001). Neuman and Kickul (1998) in their study among 284 retail sales employees indeed found conscientiousness and agreeableness as predictors of OCB. Considering these characteristics, conscientiousness, agreeableness, and openness to experience can be expected to be positively related to the engagement in OCB.

Conscientiousness, agreeableness, and positive affectivity are found to be related significantly to OCB (George and Brief, 1992; Konovsky and Organ, 1996). Borman et al. (2001) conducted a meta-analysis to determine the extent to which personality influences extra role behavior. Agreeableness was shown to exhibit a correlational effect size of $r \approx 0.13$; However, the size effect was computed across definitions of both OCB (Organ, 1988) and contextual performance (Borman and Motowidlo, 1993). Supporting the results of Organ (1994), Comeau and Griffith (2005) did not make a strong case for the use of personality as a predictor of OCB in an interdependent setting. This is not consistent with previous research that has shown both agreeableness and conscientiousness to be a robust correlate of OCB (Borman et al., 2001). In the same study agreeableness was the only significant correlate of OCB, but neither predicted any variation in level of OCB nor did the agreeableness and interdependence variables interact on OCB. Conscientiousness has shown the strongest correlation with OCB (Borman et al., 2001). It is important to acknowledge that personality is malleable (Jackson and Rothstein, 1991), which suggests that circumstances can sometimes dictate the role personality plays in interdependent performance contingencies. Comeau and Griffith (2005) suggested that cognitive
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appraisal of the work environment may surpass measures of individual characteristics in predicting job related prosocial behaviors. Their data supported the notion that the cognitive appraisal of fairness was a better predictor of OCB than individual mood states. It is possible that the participant’s perception of interdependence was a much stronger predictor of OCB than individual personality. There might be a possibility that the situational variance associated with belonging in an interdependent group drives OCB, regardless of the level of conscientiousness or agreeableness of the group members. Thus, the environment is the stronger contributor in the person-environment interaction (Comeau and Griffith, 2005). If we go beyond big five personality traits, there are various individual psychological aspects which influence OCB. For instance, optimism moderates the relationship between OCB and job satisfaction (Munyon, Hochwarter, Perrewé, and Ferris, 2010).

vii. Ethics: There is neither any universally accepted definition of ethics nor a standard measure that allows an individual or event to be uniformly judged as ethical or unethical. Despite few studies on OCB and ethics there are few studies who have tried to bring out the relationship between these two variables. More, ethical individuals are rated high on OCB than less ethical employees. Furthermore, ethical workers were found to have greater productivity, with more and stringer links between OCB and output (Turnipseed, 2002). Turnipseed reported that OCB dimensions were positively and differentially related to productivity and variation in the relationships as a function of more or less ethical behavior. Employees OCB behaviors resulted in differential contributions to productivity and the differences being partial functions of ethics (Turnipseed, 2002). In the same study it was found that creativity (Social/Advocacy Participation dimension) is an extra-role behavior, and a productive trait of both more and less ethical workers, suggesting that truly creative individuals are spontaneous with their talent. Loyalty behavior of good organizational representation, requires conscious effort, and is not behaviors attributed to the less ethical. Cooperation predicted productivity only among the least ethical group.

viii. Materialistic Attitude: Ward and Wackman (1971, p. 422) define the concept as “an orientation which views material goods and money as being important for personal happiness and social progress”. While, Belk (1984) and Richins and
Dawson (1992) view materialism as a treat and value, respectively. Moschis and Churchill (1978) approach materialism as the sum of attitudes. Torlak and Koc (2007) found that materialistic attitude is negatively correlated with all dimensions of OCB. Findings indicated that materialistic attitude is one of the antecedents that have negative impacts on OCB. All the dimensions of OCB except sportsmanship and overall OCB have correlated with materialism at middle levels.

ix. **Ethnicity:** Ethnicity has seldom been investigated as a variable in research on OCB. Chattopadhyay (1999) suggests that organization-based self-esteem will be greater for minority employees working in white-dominated groups than for whites working in minority dominated groups. Koberg, Boss, Goodman, Boss, and Monsen (2005) recently did consider OCB and ethnicity; however it was done at hospital setting. Thus, it cannot be implied in organization setting without a risk. Koberg (2005) hypothesized that OCB will be greater for women than for men, and will not differ between non-Anglo and Anglo-Americans.

x. **Marital Status:** The research examining the association between marital status and OCB is limited. Moreover, there are no study establishing the direct linkage between marital status and OCB. Though, marital status has been found to indirectly influence the participation in OCB. Marital status brings changes in career orientation of employee. Further, career orientation influence OCB (Chompookum and Derr, 2004).

### 2.2.6.2 Organizational Factors

i. **Morale:** Early research efforts on employee characteristics (Bateman and Organ, 1983; O’Reilly and Chatman, 1986; Smith et al., 1983) focused on two main causes of OCB. The first of these is a general affective “morale” factor, which Organ and Ryan (1995) view as underlying employee satisfaction, organizational commitment, perceptions of fairness, and perceptions of leader supportiveness. These variables have been the most frequently investigated antecedents of OCB, and all of them have significant relationships with citizenship behaviors. Therefore, those variables comprising employee “morale” do appear to be important determinants of citizenship behaviors. These findings raise the question of whether there are other variables that comprise employee morale like trust and more specific forms of satisfaction (etc.)
which play influential role in the examination of OCB (Podsakoff et al., 2000). The research is limited to make any conclusive generalization.

ii. **Trust:** Trust and OCB has been studied in the light of social exchange theory (Blau, 1964; Clark and Mills, 1979; Rousseau and Parks, 1993). It implies an informal contract between an employee and an organization, and in this contract, the employee’s manager largely represents the organization to the employee (Konovsky and Pugh, 1994). When employees have much trust in their social exchange relationship, they are more likely to define many types of their OCB as part of their job requirements, because employees’ obligations within social exchange relationships are not well defined and are open-ended (Konovsky and Pugh, 1994; Morrison, 1996). This, in turn, will increase the possibility of performing OCB.

Some studies suggest that justice mediates the relationship between trust and OCB (Ertu¨rk, 2007). Organization justice is one of the most important antecedents of both trust in supervisor and trust in organization (Pillai, Williams, and Tan, 2001; Aryee, Budhwar, and Chen, 2002). Trust in supervisor, in turn, has been linked to OCB. Bulent (2000) found a link between trust in supervisor and OCB. In a meta analysis, Podsakoff and his colleagues mentioned about the relationship between trust in supervisor and OCB (Podsakoff et al., 2000). Further, research found strong relationships between trust in supervisor and perceptual work behaviors, such as OCB (Rahim, Magner, Antonioni, and Rahman, 2001; Aryee et al., 2002). Findings also yield that trust in supervisor has strong positive influence on both OCBO and OCBI (Ertu¨rk, 2007). Trust in supervisor and psychological empowerment had direct and mediating effects on OCB. Employees are more likely to perform OCB if they have a good, trusting relationship with their supervisors, and if they are empowered or motivated to engage in such behaviors (Wat and Shaffer, 2005). Fassina, Jones, Uggerslev (2008) found that both job satisfaction and trust had significant relationships with the three OCB, accounting for about half of the variance of sportsmanship behavior while explaining more than 10% of the variances in altruism and civic virtue (Fassina et al., 2008).
iii. **Perceived Job Mobility:** Perceived job mobility influence OCB (Hui et al., 1999). Thau et al (2004) explained cooperative employee behaviors within the context of the evaluations (attractiveness of alternative employment opportunities) and restrictions (perceived ease of finding alternative employment) connected to alternative exchange partners, which authors believed to be important elements in exchange relationships (Molm, 2003; Thibaut and Kelley, 1969). Author stated that OCB is influenced by attractive employment alternative and the ease with which employee can move from the current organization. This happens as employees who perceive an easy access to attractive alternatives can much more easily balance their exchange ratio in a social exchange grounded on voluntarily contributions than in an economic exchange which is easier to sanction. Thau et al., (2004) hypothesized that the interactive effect of the two variables would be less for task performance but more for the extra role behavior. Thau et al., (2004) extended this concept to attractiveness of alternative employment and perceived ease of finding alternative employment. Findings suggested that both variables interact and produce a moderately strong effect on OCB. Results support the expectation that employees who evaluate alternatives as attractive perform less OCB. This effect was significant beyond tenure and trust in supervisor. This made authors to conclude that high opportunity costs may lead employees to withdraw a cooperative good in the exchange relationship, but only if they perceive few restrictions to gaining access to an alternative employer. Thus, the combination of high attractiveness and high ease increases an employees’ power and lowers their dependence on the internal market, and, in so doing, lowers the behavioral commitment of the employee. As a consequence, they move out. Employees with low ease have higher OCB scores than employees with high ease. However, under conditions of low ease, there was a positive relationship between attractiveness and OCB.

iv. **Accountability:** Research on accountability (a liability factor) is not in pace with research of OCB despite its significance in organization behavior. Despite the connection of OCB to the construct of accountability (Frink and Klimoski, 1998), few studies have empirically examined their relationship. Moreover, the extant literature has reported equivocal results. Specifically, increase in accountability supposedly
decrease OCBs (Frink, Klimoski, Hopper, Mitchell, Mero, and Motowidlo, 1995; Frink and Klimoski, 1998). Royle, Hall, Hochwarter, Perrewé, and Ferris (2005) found that for individuals high in job self-efficacy and increased felt accountability was associated with increased OCB. However, for those low in job self-efficacy and increased felt accountability was associated with decreased OCB. Hall, Zinko, Perryman, and Ferris (2009) hypothesized that the demonstration of OCB represents the tactics of high-accountability individuals to secure positive performance evaluations from others.

Scholars in this area have argued that going beyond the recognized specifications of the job is necessary to achieve task effectiveness (Katz and Kahn, 1978; Organ, 1988). Further, the combination of being highly accountable and active in OCB is likely to maximize the potential of receiving favorable performance evaluations. Hall et al., (2009) posits that employees will use OCB to manage overall impressions to attain positive performance evaluations. Authors also suggested that individuals sensitive to accountability demands will demonstrate greater likelihood of engaging in OCB to increase the probability of receiving positive attributions by influential parties. Accountability leads to greater participation in citizenship behavior, which contributes to task performance and satisfaction through reputation (Hall et al., 2009).

v. Organization Structure: The relationships between organizational characteristics and OCB were somewhat mixed. In a meta review it was found that neither organizational formalization, organizational inflexibility, advisory/staff support, nor spatial distance were consistently related to citizenship behaviors (Podsakoff et al., 2000). At the organizational level, formalization, inflexibility, perceived organizational support, and organizational constraints have been shown to influence OCB. In a reanalysis of an earlier study, Organ et al. (2006) found that inflexibility had a weak direct relationship with altruism while formalization had none.

Following Weber (1978), bureaucratic rules have been viewed as both a source of dehumanization through formalization of task specialization and employee protection from arbitrary managerial rule. Adler and Borys (1996) argue that bureaucratic controls may be disabling or enabling, depending on how they are framed and
implemented. Bureaucratic enablement is more likely when employees, either indirectly through representatives, or directly, participate in their creation and implementation. Disabling rules are transmitted by senior management with little or no concern for employee interests. These contradictory consequences have been held accountable for the lack of a significant relationship between formalization and various measures of OCB (Podsakoff et al., 2000). The effect of bureaucratic structure is dependent upon the cultural setting. For instance, in the Netherlands, the dominance of social partnership institutions indicates that bureaucratic control has enabling effect (Denison and Mishra, 1995; Tyler, 2001). It encourages trust between management and workers and between workers themselves (Fox, 1974; Miller and Monge, 1986). These intrinsic benefits are reciprocated by workers promoting higher levels of organizational commitment and a greater propensity to assist their colleagues (Frenkel and Sanders, 2007). Frenkel and Sanders (2007) highlighted the significance of social-institutional variables and bureaucratic control association with forms of OCB.

**vi. Employee Position and Social Structure:** Formal organizational structure refers to the defined positions and roles through reporting relationships, and formal role prescriptions. Informal organization refers to the positions and roles constituted by spontaneous social relationships, voluntary behaviors, and scripts for informal interactions among organizational members (Nelson, 2001; Nohria and Gualti, 1994; Tichy, 1981). According to the perspective of social networks of workplace relationships (Nelson, 2001; Roethlisberger and Dickson, 1938), employees hold informal positions defined by the patterns of direct and indirect relationships connecting them to other people at workplace (Brass and Burckhardt, 1993). The network positions are the channels through which expectations for informal role scripts are communicated and verified (Baker and Faulkner, 1991; Barley, 1990; Graen, 1976). Therefore, the OCB behavior is displayed as a part of role enactment due to reciprocal causal link between informal structure and behavior. For example, an employee positioned prominently in a network may perform OCB because being placed in such a social network raises normative expectations (Fiske, 1991; Pearce, Jone, and Gergersen, 1991). Contrary, display of OCB further reinforces the relationship within the network channel. Lamertz (2006) further argued that OCB is
performed because an employee occupies several informal positions associated with informal roles. For example an employee plays a role of good colleague and the good employee and both that include its own OCB scripts. The informal network has been classified into three relational domains that connect an employee to the collective relations at workplace 1) the supervisor, (2) the work group and (3) the organization (Cole, Schanninger, and Harris, 2002; Masterson and Stamper, 2003). Further, an employee holds different position at the same level because a relation in a particular domain may be more or less relevant for a given employee and the relation might be overlapping across multiple domains for some employees and not for others (Cole et al., 2002). For instance, some employees are part of a work group while others are not, and the supervisor may be perceived as part of the work group, as a representative of the organization or as an individual. The position in the network is argued to determine the display of OCB among employees. For instance research suggests that performance of OCB correlates positively with degree centrality in small work groups (Sparrowe, Raymond, Liden, Wayne, and Kraimer, 2001). Further, in context to organization relational domain, there are positions which connect an employee to the larger informal structure of the organization. The access to informal structure of the organization provides benefit of information and support available to the employee (Adler and Kwon, 2002). Such positions build a bridge between the employee organizational units and people holding higher bands in the organization (Burt, 1992; Podolny and Baron, 1997). An employee therefore acts as a good employee in order to reap the benefits from the access of the social capital. Good colleague OCB was found to be negatively related with the number of organizational and positively associated with link/relationship which an employee maintained. Display of good employee and colleague OCB was associated with a bridging position which connected employees to the larger organization through links with other departments and links to managers. Good employee OCB was not associated with the supervisor trust position (Lametrz, 2006).

vii. **Structural Interdependence:** Structural interdependence refers to “elements outside the individual and his or her behavior that is, features of the context that define a relationship between entities such that one affects (and is affected by) the
Interdependence is based on the characteristics of work which are not in the control of the individual employee and largely act as a motivator to the individual employee to act in a more cooperative manner with other employees (Johnson and Johnson, 1989; Wageman and Baker, 1997).

Nielson, Sundstrom, and Halfhill (2002) examined the effect of OCB on team performance at the individual (employee) level and at the group (team) level. The field study showed positive results that team level OCB was related to performance at the team level. Moreover, the relationship between team level OCB and task interdependence was highly positive in such a manner that team OCB increased as task interdependence increased. This evidence is consistent with the notion that cooperation increases with increased levels of interdependence (Johnson and Johnson, 1989; Saavedra, Earley, and Van Dyne, 1993). It supports for the proposition that OCB will increase with positive increase in levels of task interdependence. Further, outcome interdependence has a positive effect on OCB. Despite the findings the generalization in warranted as the research is very limited in this area.

viii. Goal and Task Interdependence: Goal interdependence and task interdependence are different and yet they have independent effects on the amount of OCB. The two may interact to determine levels of OCB. OCB is higher in face of higher congruency between task and goal interdependence (Lamertz, 2006).

Lamertz (2006) found that complex structural interdependence exercises a positive influence on OCB within groups. This suggests that more OCB occurred in the groups that work interdependently as a team than in those groups which worked individually. Albeit the significant interaction of both task and goal interdependence makes it difficult for researchers to explain the main effect of task interdependence and the main effect of goal interdependence on OCB separately. Therefore, they both can potentially influence the OCB independently. When the task requires collective effort the members report increase in OCB level (Neilson et al., 2002).

These studies strengthen the argument that interdependence has a major influence on the performance of OCB. Further, task interdependence moderates the positive effect of group cohesion on co-worker assistance. The team cohesion would be more
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strongly related to co-worker assistance when task interdependence is high (Frenkel and Sanders, 2007). A higher level of goal interdependence results in higher ratings of citizenship behaviors (Comeau and Griffith, 2005).

ix. **Culture:** Frenkel and Sanders (2007) examined the role of culture and co-worker-assistance (OCB) among employees. Authors found that organizational commitment does not mediate the relationship between bureaucratic control and co-worker assistance (CWA). Bureaucratic control had a direct rather than mediating effect on CWA. However, authors did find support for the argument that organizational commitment mediates the relationship between co-worker control and co-worker assistance. Moreover, Organizational commitment mediates the relationship between facilitative supervision and co-worker assistance, but management communication that aligns employees’ work with the organization’s goals was unrelated to co-worker assistance.

x. **Group Cohesion:** Group cohesiveness refers to group members’ affinity for one another and their desire to remain part of the group. Group cohesiveness explains OCB among employees. In cohesive work groups, employees are likely be more sensitive to others and are more willing to aid and assist them (Schachter, Ellertson, McBride, and Gregory, 1951).

Some researchers (e.g., Organ, 1990) have suggested that OCB may reflect members’ efforts to maintain social exchange relationships within the group than economic exchange relationship. It is argued that cohesive groups exhibit more constructive and frequent social exchanges than non-cohesive groups. Employees in work groups with high liking and cooperation for each other develop trust about reciprocation of good behavior. Highly cohesive groups generate a sense of social identity that can enhance members’ desires to help one another. Further, positive mood states may stimulate altruistic behavior toward others (Isen and Baron, 1991). Research on group process variables provides evidence for potential group-level effects of cohesiveness on OCB (Kidder et al., 1997). Employees of cohesive work group exhibit greater conformity to group norms. The relationship between OCB and group cohesiveness is also explained through norm conformity. Norm conformity is higher as the group members
exert pressure on each other to conform and the interpersonal rewards that are available through within group interactions (Hackman, 1992). Moreover, the association between cohesiveness and OCB is determined by the extent to which OCB is considered important by members for group functioning (Cartwright, 1968). OCB get established in the group when OCB has a functional value for the group (George and Bettenhausen, 1990). Further, the consensus over potential benefits of group membership increases the likelihood of OCB among employees (Axelrod, 1984). The OCB in the process become increasingly visible as they are reciprocated among group members. Therefore, members become models for each other in demonstrating appropriate OCB (Schnake, 1991). On the basis of above arguments it can be concluded that amount of cohesiveness is related to the amount of OCB performed by work group members. It has been argued that in groups with low cohesion, behaviors norms may not be well defined and social exchange relationship are likely to be weaker. Therefore, members do not feel obligated to reciprocate OCB displayed by other group members (Dobbins and Zaccaro, 1986).

Group cohesion is positively related to co-worker assistance. Moreover, group cohesion moderates the positive effect of co-worker control on co-worker assistance. The co-worker control is related more strongly to co-worker assistance when group cohesion is high (Frenkel and Sanders, 2006).

**xi. Work Life Balance Programmes:** Lambert (2000) finds significant and positive relationships between worker’s assessments of the usefulness of work-life benefits (e.g. child care and elder care) and OCB. Therefore, it can be concluded that felt work life balance in organization promote OCB among employees. Though this is one of the rarest studies in the literature and hence nothing can be generalized with confidence.

**xii. Job Satisfaction:** Job satisfaction is an attitudinal construct traditionally conceptualized in terms of beliefs (cognitions) and feelings (affect) regarding one’s job in general (Locke, 1976) or specific facets of one’s job (Smith, Kendall, and Hulin, 1969). Employee job satisfaction is defined as a pleasurable emotional state resulting from the valuation of his/her work (Locke, 1976).
There is a positive relationship between job satisfaction and OCB (Paillé, 2011). Research suggests that individuals with higher job satisfaction have a greater inclination to engage in extra-role behavior because they tend to experience positive mood states more frequently (Brown and Peterson, 1985). The principal explanation for the relationship between job satisfaction and OCB comes from social exchange theory (Bateman and Organ, 1983; Organ et al., 2006) and psychological contract theory (Robinson and Morrison, 1995). Both the theories are grounded upon the reciprocity rule. Employees who are satisfied with their jobs reciprocate through OCB (Bateman and Organ, 1983). On the other hand employees experiencing job dissatisfaction may withdraw their OCB (Fassina et al., 2008). The mood factor provides another explanation as to why individuals engage in OCB to repay the organization (Schanke, 1991; Witt, 1991). In general, studies that analyzed this relationship empirically found that employee job satisfaction influences OCB (Bateman and Organ, 1983; Organ and Ryan, 1995; Netemeyer, Boles, McKee, and McMurrian, 1997).

Job satisfaction was found to be positively related to OCB (Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Spector and Fox, 2002; Murphy et al., 2002; Organ and Konovsky, 1989; Organ and Ryan, 1995; Smith et al., 1983). There is consistency in the results when the relationship between job satisfaction and dimensions of OCB is studied independently. Job satisfaction had strong and positive relationships with both civic virtue and sportsmanship behavior. The implications are that contractual employees who are satisfied with their jobs are very active in showing concern for their organization and in recommending the improvement of service operations (Fassina et al., 2008). Studies have found individuals’ job satisfaction to be associated with several OCB facets (Bateman and Organ, 1983; O’Reilly and Chatman, 1986; Organ, 1990; Puffer, 1987; Smith, Organ and Near, 1983). For instance, Smith, et al. (1983) found a causal linkage between job satisfaction and the OCB dimension of altruism. Other studies have found evidence of significant correlations between satisfaction and OCB components (e.g., Puffer, 1987). Contrary to most of the studies Robbins (2001) found modest overall relationship between job satisfaction and OCB. Job satisfaction has been found to
have a positive relationship with job performance and OCB. Workers with high levels of job satisfaction are more likely to engage in OCB (Brown and Peterson, 1993).

Gonza’lez and Garazo (2006) found out that customer-contact employee job satisfaction is positively related to employee OCB. Employee job satisfaction also mediates the relationship between servant leadership and employee OCB, between human resource management practices and employee OCB, service encounter practices and employee OCB, and service systems practices and employee OCB.

Foote and Tang (2008) studied the job satisfaction and OCB relationship in self-directed teams. Authors found that job satisfaction of self-directed team members was significantly related to OCB. However, authors did not find support for the argument that the positive relationship between job satisfaction and OCB in self-directed teams is moderated by team commitment, such that the relationship will be stronger when team commitment is high. In addition, high levels of job satisfaction and commitment can create the need to balance the relationship. This motivates individuals to provide non required helping behaviors as repayment for the fulfillment and belongingness they get from their work (Schnake, 1991). Greater employee satisfaction favors organizational commitment, which in turn motivates the employee to behave in a citizen-like manner.

**xiii. Leadership:** Leadership behavior is significantly related to OCB in organizations (e.g., Schnake, 1991). The concept of leadership and OCB has been studied in context of leader’s attribute, leadership style, leadership effectiveness, LMX, and role of justice perception in the relationship between OCB and leadership. The relationship between leadership and OCB is primarily explained by theory of social exchange and equity. All these sections are covered to explain the dynamics between OCB and leadership.

Forms of transformational leadership and collegial leadership style are positively related to OCB (Dipola and Tschannen-Moran, 2001; Podsakoff et al., 2000). Transformational leadership behaviors had significant and consistent positive relationships with altruism, courtesy, conscientiousness, sportsmanship, and civic virtue (Podsakoff et al., 1996, 2000). Further, when leaders are viewed as providing servant leadership by nurturing,
defending and empowering their subordinates, helping behavior is expected to be lead to higher performance of OCB (Ehrhart, 2004).

Similarly transactional leadership behaviors like contingent reward behavior, contingent punishment behavior, non contingent reward behavior, and non contingent punishment behavior are related with OCB. The contingent reward behavior like expressing satisfaction or appreciation for good performance was positively and significantly related to altruism, courtesy, conscientiousness, sportsmanship, and civic virtue. Non-contingent punishment behavior was negatively related to altruism, courtesy, conscientiousness, sportsmanship, and civic virtue (Podsakoff et al., 1996, 2000).

The spiritual leadership has also been linked to OCB. The goal of spiritual leadership is to establish learning organization through the use of employees’ inner motivation for the purpose of achieving organizational transformation. Spiritual leadership is positively related OCB as employee experience meaningful work and a sense of belonging (Chen and Yang, 2012).

Further empowering leadership has strong effect on both in-role and extra-role behavior (Raub and Robert, 2010).

The path-goal leadership dimensions (supportive leadership) behavior was found to be positively related to every form of OCB (Podsakoff et al., 1990, 2000), and leader role clarification was positively related to altruism, courtesy, conscientiousness, and sportsmanship. Further, leader-member exchange was positively related to altruism and “overall” citizenship behaviors (Podsakoff et al., 2000). Also, autocratic style leadership influence OCB through job satisfaction (Appelbaum, Bartolomucci, Beaumier, Boulanger, Corrigan, Dore, Girard, Serroni, 2004).

The quality of the relationship between a subordinate and a leader is refereed as leader member exchange (LMX) (Yukl, 1998; Scandura, 1999). The quality of the relationship between an employee and the employee’s immediate supervisor (leader-member exchange), characterized by mutual trust, respect, and obligation (Graen, Novak, and Sommerkamp, 1982), was found to be related to OCB worldwide (Settoon, Bennett, and Liden, 1996; Wayne, Shore, and Liden, 1997; Wong, Ngo, Wong, 2003). Previous
research supports the reasoning that LMX affects OCB (e.g., Tierney and Bauer, 1996; Tierney, Bauer, and Potter, 2002). Further, it was found out that LMX was related to the OCB dimensions of altruism and compliance identified by Smith, Organ, and Near (1983). LMX has been found to be positively related with OCB (e.g., Lo, Ramayah, Hui, 2006; Deluga, 1994; Hui et al., 1999). Lo, Ramayah, Hui (2006) hypothesized the moderating effect of the supervisor's gender on the OCB- LMX relationship, but the gender of the supervisor did not appear to moderate the relationships between LMX and OCB. A high-quality leader–member relationship, compared to a low-quality relationship, induces extra-role performance on the part of the follower. Beside this LMX mediates the positive effects of co-operative goal interdependence and high extra-role performance (Hui, Law, Chen, and Tjosvold, 2008).

Bhal (2006) found only two dimensions of LMX, namely respect and contribution factors to have consistent and statistically significant relationships with civic virtue and altruism aspects of OCB. Eindley, Giles, and Mossholder's (2000) findings explained that direct interactions with supervisors, where supervisors observed and listened to their employees, would increase the respect among subordinates for their supervisors and further lead to an increase in OCBs by subordinates. Contrary to this affect and loyalty factors of LMX does not affect any dimension of OCB, leading to a weaker relation between the LMX and OCB. The results might vary from culture to culture. It is suggest that LMX may lead to OCB because high-quality leader relationships induce incremental contributions from followers (Graen and Wakayashi, 1994; Uhl-Bien, Graen, and Scandura, 1996).

Lepine, Erez, and Johnson (2002) in a meta-analysis of literature on citizenship behavior reported leader support as its strongest predictor. Thus, is it expected that out group employees will relatively exhibit less OCB. Scandura and Graen (1984) revealed that the sequence of citizenship behavior for reciprocal accomplishment of goals further strengthens the quality of the LMX.

Further the relationship between LMX and OCB is influenced by match between the identity level of followers and the focus of leaders, as people of similar behavior tend to be attracted to each other (Lord and Brown, 2001). LMX has been related to
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behaviors such as organizational citizenship behaviors (Settoon, Bennett, and Liden, 1996; Wayne, Liden, Graf, and Eerris, 1997; Hui, Law, and Chen, 1999), task performance (Howell and Hall-Merenda, 1999; Hui et al., 1999; Settoon et al., 1996; Wayne et al., 1997), turnover intention (Ansari, Daisy, and Aafaqi, 2000) and organizational outcome (Omar, 2001).

xiv. **Organization Justice:** Fairness or justice perceptions refer to whether or not employees feel organizational decisions are made equitably and with the necessary employee input (usually called procedural justice) and whether or not employees perceive that they are fairly rewarded given their level of training, tenure, responsibility or workload (called distributive justice).

Perceptions of fairness are positively related to OCB (Moorman, 1991; Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Spector and Fox, 2002). Organ (1990) suggested that fairness perceptions play a central role in promoting OCBs. Organ (1988, 1990) proposed an explanation that employees perform OCBs to reciprocate the fair treatment offered by the organizations. Organ and Konovsky (1989) proposed that employee perceptions of fairness in the workplace leads to emergence of OCBs, as fair treatment create a sense of reciprocation among employees in the form of display OCB. In a meta-analytic review of 55 studies involving the attitudinal and dispositional predictors of OCBs, Organ and Ryan (1995) find fairness perceptions as the sole correlates of OCBs among a large number of other antecedents. Williams, Pitre, and Zainuba (2002) found that organizational justice components have strong positive effects on OCB. Researchers have found support for the relationship between procedural justice and citizenship behavior in general (Coyle-Shapiro, Kessler, and Purcell, 2003; Zellers, Tepper, Giacalone, Lockhart, and Jurkeiwicz, 2003) and different dimensions of citizenship behavior like extra role behavior (Zellers, Tepper, and Duffy, 2002), conscientiousness, civic virtue, courtesy, sportsmanship (Moorman, 1991). Some studies have also supported the relationship between interactional justice and citizenship behavior (Coyle-Shapiro et al., 2003; Moorman, 1991; Moorman and Niehoff, 1993; Williams et al., 2002). However, many studies have reported that distributive justice is not related to citizenship behaviors (e.g. Williams et al., 2002; Zellers et al., 2003).
Beside that that perceptions of fairness have been shown to predict OCB (Cohen-Charash and Spector, 2001; Colquitt, Conlon, Wesson, Porter, and Ng, 2001). Some evidence also suggests that perceptions of fairness may have a causal effect on OCB. Quasi-experimental studies show that training leaders in the principles of justice is associated with increased levels of perceived fairness and OCB, relative to pre-training levels and a control group (Skarlicki and Latham, 1996). Other researchers have found support for theoretically based causal models of how perceived fairness relates to OCB (Masterson, Lewis, Goldman, and Taylor, 2000). The relationships between justice and OCB have been explained by mechanisms relating to identity management and social exchange (Moorman and Byrne, 2005). The identity-based explanations propose that fair treatment makes employee feel valued in the organization. Thus, individuals exhibit OCB to maintain their valuable position in the group and to contribute to the group (Tyler and Blader, 2003). The social exchange theory states that individuals hold on to social exchange principles (e.g., Blau, 1964) by responding to justice (Organ, 1988b). Employees, who feel that they are valued, treated fairly, feel obliged, and tend to reciprocate by engaging in OCB. When employees perceive unfair treatment, they may adhere to negative reciprocity. They might actively withdraw their OCB and restricting their effort to fulfill only the contractual obligation (Greenberg and Scott, 1996; Organ, 1988b). In comparison to procedural and interactional justice, distributive justice is more closely tied to economic, rather than social exchange (e.g., Konovsky and Pugh, 1994). Employees might respond to pay inequity by reducing their inputs through OCB withdrawal (Adams, 1965). This reduces the risk of threatening their self-esteem and rewards, relative to withdrawing effort pertaining to in-role performance (Organ, 1988b).

Moreover, Ertu’rk, (2007) while studying all three organizational justice dimensions found that OCBO decreased to insignificant levels when trust in supervisor was added to the equation as an antecedent of OCBO. Trust in supervisor fully but differentially mediated the relationship between organizational justice and OCBO. On the other hand, when trust in supervisor was added to the equation as an antecedent of OCBI, effects of distributive and procedural justice on OCBI decreased to insignificant levels, whereas the effect of interactional justice on OCBI decreased but remained
significant. So, trust in supervisor partially mediated the relationship between organizational justice and OCBI. It was also revealed that among three organizational justice components interactional justice is the primary source of trust in supervisor.

**xv. Organization Commitment:** Organizational commitment means “the relative strength of an individual's identification with and involvement in an organization” (Mowday, Steers, and Porter, 1979, p. 226). Studies have found linkage between organizational commitment with several OCB facets (Liden, Wayne, Kraimer, and Sparrowe, 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). Organizational commitment is positively related to OCB (Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Somech and Drach-Zahavy, 2000; Spector and Fox, 2002). According to Schappe (1998), hierarchical regression analyses indicated that when job satisfaction, organizational commitment, and fairness perceptions were considered concurrently, only organizational commitment accounted for a unique amount of variance in OCB. Meyer, Stanley, Hersecovith, and Topolnytsky (2000) found that among three dimensions of commitment, affective commitment has the strongest positive correlation with OCB, followed by normative commitment, but continuance commitment is unrelated to OCB. However, Williams and Anderson (1991) found that organizational commitment was not related to either form of OCB, and Tansky (1993) found no significant positive relationships between organizational commitment and five OCB dimensions. Organizational commitment is a likely determinant of OCB. O’Reilly and Chatman (1986) found that identification was a significant predictor of self-reports of generalized compliance behaviors and that identification and internalization were significant predictors of self-reports of extra-role compliance behaviors. When defined as a psychological identification with the organization and its values, organizational commitment displayed links with OCB (O’Reilly and Chatman, 1986; Organ, 1990). Morrison (1994) found positive relationships between affective commitment and several OCB dimensions, though these were mediated by job breadth. Organ (1990) proposed that affective commitment, conceptualized as a
sense of psychosocial attachment, an antecedent of OCB. Thus, exhibition of OCB is a behavioral response to affective commitment.

Employees distinguish between commitment to their teams and commitment to their organizations (Bishop et al., 2005). According to field theory, the proximity and salience of environmental elements play a considerable role in determining employees’ reactions to their environments (Mathieu and Hamel, 1989). The organization itself seems more distant and inaccessible, and therefore less salient whereas the team provide continuous interaction and proximity to employees’ in daily work experience. Employees may experience more difficulty in connecting with the organization than with the team. Therefore, employees’ level of commitment to the organization is comparatively lower than their commitment to the self-directed work team (De Lara and Rodriguez, 2007). Consistent with Bishop and Scott (2000), commitment should be higher among team members, as exhibition of OCB. The relationship between team commitment and OCB has been shown to be strong and significant (Bishop and Scott, 2000; Bishop et al., 2000; De Lara and Rodriguez, 2007).

**xvi. Perceived Organization Support:** Eisenberger et al. (1986) presented a social exchange view of commitment that focuses on employees’ perceptions of the organization’s commitment to them. POS is a belief in the organization’s willingness to reward their efforts, a belief that the organization values their contribution and a belief that the organization is concerned about their well-being (Eisenberger et al., 1986). Researchers have shown that benefits endowed by organization can enhance workers’ perceptions of organizational support (Grover and Crooker, 1995; Lambert, 2000). In a study of the causes of OCB, Rioux and Penner (2001) found that concern for the organization is strongly associated with OCB directed toward the organization. POS has been found to be a mediating variable between procedural justice and OCB (Moorman et al., 1998). Lambert (2000) drew on developments in social exchange theory and empirically showed that a relationship exists between workers’ experiences with a work-life package and OCB, mediated by POS. Social exchange theory indicates that people feel obligated to reciprocate when they benefit from some entity’s actions. OCB is the employees’ currency of reciprocity. Social exchange theory suggest that employees who feel they are well supported by their organizations
are likely to reciprocate by engaging in more acts of citizenship behavior than those having lower levels of POS (Eisenberger et al., 2001; Shore and Wayne, 1993; Wayne et al., 1997; Kraimer, Wayne, and Jaworski, 2001).

xvii. Public Service Motivation: Public Service Motivation has been studied in context to Korean society till date. Hence it cannot be generalized to other cultural setting with confidence. This study does provide us with a novel perspective towards OCB. Kim (2000) showed evidence of relationships between public service motivation and OCB and between organizational commitment and OCB. However, the causal relationship between job satisfaction and OCB was not confirmed. The results of the study show that the public employees in Korea who have high public service motivation are more likely to be associated with the performance of OCB than individuals with low public service motivation. Employees those who are affectively committed to the government organization are more likely to be associated with the performance of OCB than individuals lacking in such commitment.

The study suggests that having public employees with a high level of public service motivation is important to enhancing OCB in government organizations. Hence, it is important to select and retain public employees with high public service motivation. Authors stated that effective employee orientation and education programs are also a critical component for retaining public employees with high public service motivation because the programs can introduce the mission, goals, objectives, and norms of public organizations and explain the ways to serve the public interest through making public policies and delivering public services. Managers in the public sector need to recognize that public sector incentive structures. The incentive must provide an opportunity for employees to satisfy their public service motives. Public employees are more likely to place a higher value on the intrinsic reward of work. It provide employees a sense of satisfaction, Further, it is believed that employees working in public services promotes the public interest, over and above organizational and individual interests. Public service motivation is positively associated with OCB (Rayner, Lawton, and Williams, 2012).
xviii. Task Characteristics: Basic forms of task characteristics have been reported to be related with OCB. The forms of task characteristics included in literature are task feedback, task routinization, and intrinsically satisfying tasks. All these forms of task characteristics were significantly related to altruism, courtesy, conscientiousness, sportsmanship, and civic virtue. Task feedback and intrinsically satisfying tasks were positively related to citizenship behavior, while task routinization, role conflict, role ambiguity, bureaucratic work cultures, and peer competition were negatively related to OCB (Haworth and Levy, 2001; Spector and Fox, 2002; Thompson and Werner, 1997; Kidwell et al., 1997; Podsakoff et al., 2000).

Podsakoff et al.’s (1996) meta-analysis shows that task routinization, intrinsic task satisfaction, and task feedback explained more of the variance in employee altruism and courtesy behavior than leadership behaviors (Organ et al., 2006). A reanalysis of the same data exploring the mediating effects of job satisfaction showed that task feedback and intrinsic task satisfaction had both direct and indirect effects on altruism and courtesy behavior. This contrasts with task routinization, which only showed a strong negative direct effect on altruism (Organ et al. 2006: 112). In the light of social exchange theory, Van Dyne et al. (1994) found that workers in jobs where jobs were rated higher on autonomy, feedback, significance, variety, and identity were more likely to have feelings of organizational obligation and the covenantal relationship fully mediated the relationship between task characteristics and OCB (Organ et al., 2006).

The role of task characteristics have not been emphasized in literature, however results show that they are important determinants of citizenship behavior and deserve more attention in future research.

xix. Role Perception: Role perceptions also have been found to have significant relationships with some of the OCB dimensions, although the size of these relationships is not very substantial. Role ambiguity and role conflict are significantly and negatively related to altruism, courtesy, and sportsmanship but not to conscientiousness and civic virtue. However, since both role ambiguity and role conflict are known to be related to employee satisfaction, and satisfaction is related to
OCB, it is likely that at least a portion of the relationship between ambiguity and conflict and OCB is mediated by satisfaction (Podsakoff et al., 2000).

**Rewards:** Rewards have been found to be associated with OCB. Rewards contingencies and perception of employees and employer pertaining to rewards have been found to be related with OCB (Diefendorff et al., 2002; Kidwell et al., 1997; Organ, 1988, 1990; Somech and Bogler, 2002; Somech and Drach-Zahavy, 2000; Spector and Fox, 2002). For instance, indifference to rewards was found to have a consistent relationship with OCB. Indifference to rewards is negatively related to altruism, courtesy, conscientiousness, sportsmanship, and civic virtue (Podsakoff et al., 2000). Reward contingencies influence the frequency of OCB. Employee’s desirability for the rewards offered by organization, leaders control over those rewards and rewards contingent upon performance leads to increase in OCB. This suggests that managers (either implicitly or explicitly) have a relatively broad conception of performance and view citizenship behavior as a part of it. Employers do consider OCB behavior while evaluating performance. However, the contingency between rewards and citizenship behaviors is inconsistent with Organ’s original definition of OCB (Organ, 1988). MacKenzie et al. (1991, 1993, and 1999) and Werner (1994) did consider the role of rewards on OCB. There is body of research indicating that managers do take OCB into consideration while evaluating the performance of their subordinates (Allen and Rush, 1998; Podsakoff et al, 2000).

Rewards beyond the leader’s control were negatively related to altruism, courtesy, and conscientiousness (Podsakoff et al., 2000). Further, employee’s perception of rewards is one important factor in OCB. When employee value organizational rewards and believe that their leader administers them due to their good performance, they engage in citizenship behavior as a means of obtaining rewards. This is consistent with Morrison (1994), who found that employees often view OCBs as an expected part of their job (Podsakoff et al., 2000). Yap, Bove, and Beverland (2009) found that individual financial incentives improved in-role behavior as well as all three targets of extra-role behavior. With specific regards to in-role behavior and extra-role behavior directed at customers, this reward combination motivated sales associates to expend more effort into providing customer service in order to generate more sales. This is also illustrated in Beatty, Mayer,
Coleman, Reynolds, and Lee (1996, p. 233) study on customer-sales associate relationships, which reported that “sales assistants were willing to do just about anything for their customers”. Individual financial incentives also increased extra-role behavior directed towards the organization. This included, among other things, learning about the company’s merchandize, suitable styles for various body shapes, and not being negligent when supervisors were not monitoring. As with individual financial incentives, group financial incentives also encouraged extra-role behavior directed at co-workers (Yap et al., 2009). Certain reward programs, namely individual and group financial incentives motivate employees to engage in both in-role and extra-role behavior simultaneously. Further, compared to formal recognition programs, informal reward programs found to be more effective in motivating employees to enhance their in-role and extra-role performance (Yap et al., 2009). However, the improvement in in-role performance due to reward programme might be at the expenses of extra-role performance of employees (Deckop et al., 1999; Drago and Garvey, 1998; Wright et al., 1993). Rewards are associated with in role performance. Employee in order to get rewards will focus upon in-role performance rather than extra-role performance in face of limited resources (Deckop et al., 1999; Drago and Garvey, 1998; Wright et al., 1993).

The relationship between rewards and OCB raises the question whether OCB should be rewarded or not? Becton, Giles, and Schraeder (2008) believed that formally evaluating and rewarding employees’ OCBs can have impact on role ambiguity. Becton et al., (2008) argued that rewarding OCB could have dire consequences like emotional dissonance for intrinsically motivated employees. This further could lead to emotional exhaustion and burnout. Moreover, employees might attach more value to the p exhibiting high levels of OCB than task or job performance, consequentially leading to decrease in organizational effectiveness. It is anticipated that formally measuring and rewarding OCBs will reduce the level of disagreement between supervisors and direct reports about what are required activities in employees’ jobs. The improved agreement can have important consequences for employees’ role ambiguity. In some circumstances, rewarding OCBs may create role conflict or role overload. Deckop et al., (1999) found that the relationship between pay for performance and OCB was a function of employees’ value alignment. Their findings
indicated that for employees low in value congruence, pay for performance was a disincentive for engaging in OCB, but for employees high in value congruence, pay for performance was an incentive for engaging in OCB. Although, the formal inclusion of OCB in performance evaluation will not likely change certain personal values of employees, values that are socially sanctioned (e.g. helping others, being courteous, cooperation, participation) are easy to share (Fairholm, 1991). Additionally, the inclusion of OCB in performance appraisal and reward systems might affect the perceptions of supervisors. When OCB is a formal part of the performance appraisal process, supervisors might perceive employees’ motives for OCB differently than when they are not. If OCB is part of performance expectations for employees, OCB may be perceived as originating from a performance enhancement motive as opposed to an impression management motive.

It is plausible that organizations could create competing expectations by including OCB dimensions in the performance appraisal and this could be perceived by employees as conflicting with their task-oriented roles. It is important to consider that OCB is important but not a substitute for job performance (Bolino and Turnley, 2003). It is argued that performance appraisal system that treats OCB as equal to or as more important than task performance generally produces negative consequences for the organization. Greater prominence on OCB may be detrimental to other more important job behaviors and activities (Bolino, Turnley, and Niehoff, 2004). Research also suggests that overemphasis on OCB may have negative consequences for employees. Bolino and Turnley (2005) found that individual initiative was positive associated with overload, stress and work-family conflict. This can have negative consequences for the organization as work-family conflict has a negative relationship with attendance and quality of work (Higgens, Duxbury, and Irving, 1992; HR Focus, 2000). However, Becton et al., (2008) found and suggested that formally rewarding OCB could improve the quality of the relationships between supervisors and direct reportees, which consequently could result in improved performance. It may improve employees’ self-efficacy concerning their role-related functions.
xxi. **Communication:** Research has suggested significant positive relationship between communication and few dimensions of OCB like co-worker assistance (Frenkel and Sanders, 2007). Similarly the failure of management communication significantly impacts the co-worker assistance. Authors further explained that communication provide information about goals and priorities. Distorted messages from top management produce friction in the employee’s coordination with their colleagues. This influence OCB negatively.

xxii. **Personal-Organization Fit:** Research suggests that it is the interaction of person, job, and organization which results in positive and negative implications for the organization. The compatibility between individuals and organizations, an aspect of the congruency concept, is known as “person-organization fit” (P-O fit). P-O fit has been defined by various researchers in a variety of ways, including value congruence (Judge and Cable, 1997; O’Reilly, Chatman, J. and Caldwell, 1991; Meglino, Ravlin, and Adkins, 1989), goal congruence (Vancouver and Schmitt, 1991), need-supplies fit and demand abilities fit (Kristof, 1996), personality-climate fit (Christiansen, Villanova, and Mikulay, 1997), HRM fit (Nyambegera, Daniels, and Sparrow, 2001). HRM fit is important and positively related to both performance of OCB and task Performance (Chandrakumara, 2007). In similar fashion the results of studies indicate that P-O fit is related to both attitudinal and behavioral outcomes (Hoffman and Woehr, 2006; Verquer et al., 2003; Kristof, 1996). In today’s era where the nature of work is so dynamic (Borman et al., 1995; Werbel and Gilliland, 1999), a clearer picture of the connection between P-O fit and work behavior is crucial (Hoffman and Woehr, 2006). Although, many aspects of people (personality, values, preferences, abilities, etc.) and organizations (organizational culture/climate, managerial values, HRM culture, etc.) have been considered in determining attitudinal and behavioral outcomes.

Anderson and Ostroff (1997) highlight how a fit between the individual and the work environment is necessary for facilitating positive work-related attitudes and behaviors. Empirical research suggest that fit between individual preferences and organizational culture is likely to influence positive work attitudes and behaviors such as job involvement (Nyambegera et al., 2001), contextual performance (Lauver and Kristof-Brown, 2001; Goodman and Svyantek, 1999), extra role behavior (O’Reilly and
Chatman, 1986), job satisfaction, commitment and reduced turnover (O’Reilly et al., 1991; Tziner, 1987) positive attitudes towards team work, and ethical behavior (Posner, Kouzes, and Schmidt, 1985). Morse (1975) and Swann (1983) also noted that high P-O fit increases the likelihood that extra role behavior will occur. Employees feel comfortable and competent in the organizations. Chandrakumara (2007) hypothesized that organizations that adapt HRM policies to match the preferences of their workforce might benefit to enhance citizenship performance. The link between OCB and P-O-J fit has been explained in context to theory of reasoned action. This theory suggests that attitudes towards a given object will often result in behaviors that are consistent with those attitudes (Ajzen and Fishbein, 1977). Therefore, if employees’ needs are fulfilled at work, resulting positive attitudes may mitigate strain and facilitate higher performance (Kristof-Brown, Zimmerman, and Johnson, 2005). Van Maanen and Schein (1979, p. 228) also argued that “creative individuals are people who score high non P-O fit as they may seek to improve or make more efficient or less corrupt”. Goodman and Svyantek’s (1999) study found that P-O fit predicts both task performance and contextual performance. Similarly, Tziner (1987) found that industrial employees reporting low discrepancies between their organization’s climate for achievement and their preferences for such a climate had higher self-reported work performance than those reporting high discrepancies. Downey, Hellriegel, and Slocum (1975) also found that individuals with a high need for social contact performed better in terms of number of promotions and salary increments. In context to performance of managers, Andrews (1967) found that managerial performance composite scores, consisting of job status, number of promotions and number of raises were significantly higher for managers in organizations matching their values. P-O-J fit is critical for both contextual and task performance. Whereas task performance is highly dependent on skill-based job proficiency, contextual performance has volition and predisposition as its major source of variation and is not likely to be role-prescribed (Borman and Motowidlo, 1997).

Therefore, P-O fit should have the greatest impact on contextual performance rather than on task performance. In line with this argument, Kristof-Brown et al., (2005) in a meta analysis indicates that P-O fit had low correlations with overall job performance
(0.07) and task performance (0.13), but moderate correlations with contextual performance (0.27). Goodman and Svyantek’s (1999) study also found that P-O fit is more important and relevant to contextual performance than task performance. HRM fit is relatively considered more important for citizenship performance. However, it is relatively less important for task performance (Chandrakumara, 2007). To further explain HRM fit refers to the congruence of HRM policies and individual preferences for HRM policies (Nyambegera et al., 2001). HRM comprises functions undertaken by an organization to effectively utilize its human resources, including human resource planning, job design, performance appraisal, compensation, and training and development (Schuler and Jackson, 1987; Dowling and Schuler, 1990). The coming section will discuss the outcomes of organization citizenship behavior.

2.2.7 Outcomes of Organization Citizenship Behavior

i. **Customer Satisfaction:** Customer Satisfaction is one of the empirically tested outcomes of the OCB. Research suggests that customer’s evaluation of an organization’s service depends upon competence, attitudes, expertise, and skills of the customer-contact employee. This was also supported by socialization theory and service climate development (Schneider and Bowen, 1999). The behavior of employees with customers significantly influences the future relationship with the customer (Paulin, Ferguson, and Payaud, 2000). As a result review suggests the significance of developing internal relationships, not only among employees but also between the employee and the company create and enhance successful relationships with the customer (Kelley and Hoffman, 1997). The extra-role (OCB) activities are critical factors influencing service quality and customer satisfaction (Bittner et al., 1994, Yoon and Suh, 2003).

Since OCB include informal mentoring of new or less skilled contact employees or assisting other temporarily overburdened employees. Therefore, it is extremely important for services companies to encourage these discreitional voluntary behaviors, as it significantly enhance the quality of customer-contact employees by increasing contact among employees and contacts between employees and customers (Yoon and Suh, 2003). Increased contacts further enhance the level of customer’s commitment.
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towards the service company and their intention to remain as customers (Castro, Armario, Ruiz, 2004). The study further supported the research based upon social network theory by Granoveter (1973) which concluded that customer’s intention to remain with a particular service company is heavily determined by customer-contact employee’s behavior. Similarly, when a customer is satisfied with the contact employee within the scope of a formal relationship, the customer will likely maintain the relationship in the long run (Hansen, Sandvick, and Selnes, 2003).

ii. Employment Turnover and Turnover Intention: Turnover refers to permanent removal, voluntarily or involuntarily, of an employee from the organization (Koslowsky, Sagie, Krausz, and Singer, 1997). OCB may lead to low turnover (Moorman, 1991; Organ and Konovsky, 1989; Podsakoff et al., 1990; Smith et al., 1983). Khalid and Ali (2005) found that civic virtue and sportsmanship affect turnover intention significantly and negatively, only conscientiousness significantly influenced self-reported absenteeism. Despite over 1500 studies reported in the turnover literature (Shaw, John, Jenkins, and Nina, 1998) previous research on this dysfunctional behavior has focused on job affect, cognitive process, and demographic factors as antecedents but has not paid attention to the role of behavioral antecedents such as OCB. Study by Chen, Hui, and Sego, (1998) was one of the initial studies to investigate the relationship between OCB and turnover among technical workers in the People’s Republic of China. They found that subordinates who were rated as exhibiting low levels of OCB were found to be more likely to leave an organization than those who were rated as exhibiting high levels of OCB. Specifically, their study revealed that the level of altruism, conscientiousness, and sportsmanship were higher among employees with no turnover than among employees who left the organization.

iii. Service Quality: There is very strong literature supporting relationship between OCB and service quality. OCB influence customer’s perception of services ultimately leading to increase in financial performance. Bienstock et al., (2003) showed that customer-contact personnel discretionary behaviors not formally prescribed by the organization (OCB) influence the quality of service delivered to the consumer. These findings lead experts to design programme to enhance OCB at workplace. Morrison
(1996) argues that the set of organizational activities designed to create and deliver an excellent service has potential to affect employee OCB.

Various explanations have been given on the process through which OCB influence service quality and related variables. The internal marketing perspective suggests that for successful encounter and exchanges with customers, effective internal exchanges among employees, and between employees and service firm must occur first. A successful exchange between employees and customers can only take place when there are effective internal exchanges within the organization (George, 1991; Kelley and Hoffman, 1997). Also, external customers’ evaluation of service quality is a major element of organization effectiveness. Researchers have suggested that the spillover effect of employees’ OCB on the service quality is expected to take place through the socialization process. Socialization research suggests that one type of helping behavior is more likely to facilitate other types of helping behaviors due to the personal value acquired through the socialization process (Grusec, 1991; Kelley and Hoffman, 1997). Further, social interactions between customer and employee have a spillover effect of internal socialization. Kelley (1992) identified an association between socialization process, affective, and behavioral orientation of employees. Kelley (1992) considered this process to be an essential aspect of an employee’s involvement with his or her organization. Therefore, employees who exhibit higher OCB for coworkers or their organization will be more active in the fulfillment of customer needs.

Posdakoff et al., (1997) stated customers’ perceived service quality likely to increase, when an experienced contact employee helps less skilled or new employees solve service-related problems and finds more efficient ways of performing their service. Altruism has been shown to create a positive, group-cohesive climate among employees, which, in turn, spills over into their interactions with external customers (Schneider and Bowen, 1999). Civic virtue can affect service quality in several indirect ways. Civic virtue involves making constructive suggestions about service improvement and organizational effectiveness. Contact employees are the ones who are connected with customers at the ground level. Voluntary participation in meetings may help coordinate activities among employees and create a team spirit. Therefore,
employees who exhibit civic virtue contribute to service quality by attending and actively participating in meetings, may provide opportunities for employees to acquire various experiences of other employees during service encounters, to identify their own problems in providing service and take initiative to improve customer service. An employee with a high level of sportsmanship has a positive attitude and avoids unnecessary complaining. Research suggests that customers tend to be less complaining and experience greater service quality when this behavior is exhibited (Morrison, 1996). Sportsmanship behavior creates a positive climate among employees that is likely to be transferred to their interactions with customers (Schneider and Bowen, 1999). When employees are cooperative with each other, they will be more cooperative with the customers as well. A troubling employee cannot be expected to exhibit customer-oriented behaviors for excellent service to external customers. A positive work climate among employees may have an indirect effect on service quality by creating an overall environment that customers find more pleasant. A lack of sportsmanship is likely to have harmful effects on group cohesiveness and leave the organizational atmosphere less attractive to coworkers (Posdakoff et al., 1997). Yoon and Suh, (2003) found that sportsmanship was positively related to customers’ perceived service quality, while altruism was marginally significant. Employees’ sportsmanship can enhance the quality of service both directly and indirectly. Good sportsmanship behavior creates a positive, cooperative organizational climate that can indirectly spill over onto the customer. A positive relationship was hypothesized between civic virtue and service quality but was not obtained.

OCB is related to customer perception of service quality because OCB might have an immediate effect derived from the employee-customer interaction. Customer’s perception is also influenced by internal factors of the organization such as working environment, service climate and service process consistency. Moreover, these aspects allow a differentiation of OCB from customer orientation (Bell and Menguc, 2002). OCB contributes both directly and indirectly in creating perceptions of superior service quality (Morrison, 1996). OCB has been described as essential for achieving superior returns. It is important that employees behave appropriately for the role they are performing to achieve high perception of service quality from customers.
Employees displaying behaviors represented by OCB are able to deliver quality service because they endeavor to best assist the customer. Moreover customer’s positive feedback will reinforce employee customer orientation. Consequently, it is to be expected that a relationship exists between OCB and perceived service quality. OCB encourages teamwork, enables employee-management communication, improves the working environment, and reduces employees’ defection rates (Hui, Lam, and Schaubroeck, 2001).

iv. Worker Well Being: Understanding CWA as a form of OCB is an important from the workers’ point of view. High levels of CWA enhance worker well-being by making work more meaningful, providing sociability, and psychological support in an uncertain and anonymous world (George and Bettenhausen, 1990). Further it contributes to empowerment and employability by building employee skills, enhancing self-efficacy, and strengthening social networks. Contrary to this coworker with conflicting relations can lead to high levels of job dissatisfaction, withdrawal of cooperation, and high labor turnover (Hodson, 2001).

v. Withdrawal Behavior: Withdrawal refers to a set of behaviors employees use in attempts to remove themselves from their jobs or avoid work tasks (Koslowsky et al., 1997). Employee lateness, absence, and turnover intention are the most frequently used indicators of withdrawal behavior in organization (Koslowsky and Dishon-Berkovits, 2001). This section will examine the research done under the terminology of withdrawal behavior. It might and might not include the absenteeism and intention to leave. The underlying mechanisms explaining why employees’ level of OCB may influence their withdrawal behavior can be drawn from the general cognitive consistency theory. Cognitive consistency means the individuals’ attitudes, beliefs, and preferences fit together harmoniously and do not conflict. The cognitive consistency theory (Festinger, 1957) claims that individuals are predisposed to experience psychological discomfort when they behave in ways inconsistent with their values and moral standards. Therefore, individuals try to maintain agreement between their behaviors, beliefs, and attitudes. Chen, Hui, and Sego (1998) indicated that high levels of OCB reflect employees’ high organizational involvement. In contrast, withdrawal behavior is regarded as undesirable and dysfunctional (Pelted
and Xin, 1999) and is potentially harmful to one’s co-worker, group, and organization. Based on the logic of cognitive consistency, it is reasonable to state that high level of OCB is inconsistent with high level of withdrawal behavior but it is not inconsistent with low level of withdrawal behavior. Previous studies across a variety of situations (Parish and Necessary, 1996; Ward, 1986; Green and Holeman, 2004) highlighted the relationship between OCB and withdrawal behavior. Khalid and Ali (2005) found general support for the hypothesis that OCB are related to withdrawal behaviors. Authors stated that OCB should be considered as one of the predictor of withdrawal behaviors. According to Podsakoff et al., (2000), empirical researches have yet to examine the effect of OCB on a broader dimension of withdrawal behavior, based on the available empirical evidence (Chen et al., 1998; Lee, Mitchell, Sablynski, Burton, and Holtom, 2004).

vi. **Organization Performance and Effectiveness**: A key tenet of Organ’s original definition of OCB (Organ, 1988) is that, when aggregated over time and people, such behavior enhances organizational effectiveness. This assumption remained untested in initial years. Its acceptance was based more on its conceptual plausibility than direct empirical evidence (Borman and Motowidlo, 1993; Organ and Konovsky, 1989; Podsakoff and MacKenzie, 1994). Various explanation were extended to reason as to how and why OCB results in organization effectiveness (George and Bettenhausen, 1990; Karambayya, 1990; MacKenzie et al., 1991, 1993; Organ, 1988, 1990; Podsakoff et al., 1997; Podsakoff and MacKenzie, 1994, 1997). For instance OCB may contribute to organizational success by enhancing coworker and managerial productivity, freeing up resources so they can be used for more productive purposes, reducing the need to devote scarce resources to purely maintenance functions, helping to coordinate activities both within and across work groups, strengthening the organization’s ability to attract and retain the best employees, increasing the stability of the organization’s performance, and enabling the organization to adapt more effectively to environmental changes. Despite the intuitive plausibility of the assumption that OCBs contribute to the effectiveness of work teams and organizations, there is little empirical findings to support (Podsakoff et al., 2000).
A study by Karambayya (1990) was argued to be the first study reported in literature which explored whether citizenship behavior is related to group or organizational effectiveness. Author found that employees in high performing work units exhibited more citizenship behaviors than employees in low performing work units. These results were promising; they were far from conclusive because unit performance was measured subjectively rather than objectively. In addition, the data were obtained from raters in 12 different organizations, raising the possibility that different raters used different criteria in their evaluations of organizational success (Podsakoff and MacKenzie, 1994; Podsakoff et al., 1997; MacKenzie, Podsakoff, and Ahearne, 1996; Walz and Niehoff, 1996).

Helping behavior was significantly related to performance but not to customer complaints (Walz and Niehoff, 1996). Helping behavior was found to enhance performance. The only exception was that helping behavior had a negative impact on the quantity of performance (Podsakoff and MacKenzie, 1994). Though, it was attributed to the unusually high level of turnover and other reasons unique to their insurance agency sample. The effects of OCB dimension sportsmanship were limited. It enhanced the quantity of performance in samples of insurance agency units and paper mill work crews and increased some aspects of financial efficiency and customer service in the limited-menu restaurant sample. Finally, civic virtue was found to enhance the quantity of performance in the insurance and pharmaceutical sales samples and reduce customer complaints in the limited-menu restaurant sample. Thus, the available empirical research clearly supports Organ’s fundamental assumption (Organ, 1988) that OCB is related to performance although the evidence is stronger for some forms of citizenship behavior like helping than for others that is sportsmanship and civic virtue (Podsakoff, 2000). However, for, helping behavior is negatively related to sales performance (Podsakoff and MacKenzie, 1994). Authors reported positive effect of civic virtue and sportsmanship on sales performance. In a study on paper mill work crews, helping behavior affects both the quantity produced and product quality while helping behavior affects quantity produced positively (Podsakoff et al., 1997). Koys’ (2001) longitudinal study on stores from a regional restaurant chain shows that OCB is related to the profit and profit as a percentage
of sales positively. Finally, OCB has a positive impact on customer perceptions of service quality which is indicated by Bell and Mengüç, (2002) and Yoon and Suh (2003).

Turnipseed (2002) found that ethical workers reports greater productivity, with more and stringer links between OCB and output. OCB dimensions are positively and differentially related to productivity and the relationships varying as a function of ethical behavior. OCB exhibiting differential contributions to productivity and these differences were partial functions of ethics. This study did not report negative relationship between OCB and productivity. Functional participation is correlated with productivity. However when measured by index variable, this dimension was not a significant contributor to productivity. These behaviors are organizationally desirable, but may be slower to manifest than the behaviors in the obedience and Social/Advocacy participation (S/A Participation) dimensions. Although, this dimension was not a contributor to productivity as measured, it might contribute to the long-term success of the organization. A longitudinal study and a more precise measure of output and organization effectiveness are required to identify the long-term impact of these behaviors. Obedience behaviors contributed the greatest to productivity and within that dimension, wise use of time was the most important for each group. Wise time utilization and creativity were the only behaviors common to both less ethical group and more ethical group. There were differential contributions of the behaviors to productivity. High quality of work regardless of circumstances and using personal judgment to assess right and wrong were unique to the most ethical group. The assessment of right and wrong as a contributing behavior was absent in the least ethical group. The total sample supports the validity of this study, indicating that differentiating right and wrong is considered ethical behavior in the workplace. Obedient behavior will result in good quantity and quality of productivity (Smith et al., 1983). Whereas, Obedience behaviors can maintain high individual productivity, S/A Participation behaviors can advance the firm beyond its present state of product (service) and processes. These citizenship behaviors may also be a channel of innovation as they operate through the social structure of the organization, altering the behavior of others, both overtly and covertly, in a beneficial direction conducive to the spontaneous acts of creativity. S/A Participation behaviors might not show immediate increase in productivity because behavioral modifications may manifest over a period of time. Although the relationship between S/A participation behavior and
productivity was the second strongest correlate and these behaviors contributed the second most to productivity. The productivity measure used was one of current and past performances, without assessing the future potential. Loyalty behaviors are clearly desirable, but do not offer any immediate productivity enhancements. Loyalty is a behavioral expression of organizational satisfaction and allegiance. Loyalty is argued to increase performance through the positive behavior of satisfied employees. Employees may reduce the resources required for system maintenance, thereby increasing organizational efficiency and profitability.

The significance of “extra-role” performance in profitability has been explored. In theory, there have been several developments in assessing this kind of behavior (teamwork effectiveness, better resource allocation, employees’ collaboration, and productivity levels). However, in reality, there are few empirical studies of the issue. Thus, Podsakoff et al., (2000) have stated that there are only five studies in which the relationship between OCB and profitability is proposed. Findings in most recent studies (Walz and Niehoff, 1996; MacKenzie et al., 1998) have found evidence of its existence, although loadings have been stronger in some dimensions than in others. Thus, the widely acknowledged five categories that OCB contributes to organizational effectiveness include altruism (helping), courtesy, conscientiousness, civic virtue, and sportsmanship (Organ, 1988; Lo, Ramayah, and Kueh, 2006). OCB fosters the effectiveness of organizations by increasing work group performance from the perspective of quantity and quality of work.

OCB can influence organizational performance (Podsakoff et al., 1997; Walz and Niehoff, 2000). Citizenship behaviors improve group performance because they help people work together. Employees who help each other do not have to ask supervisors for help frequently, leaving the supervisors free to do more important tasks. Podsakoff et al., (2000) suggest that OCB improve organizational effectiveness, since it has the ability to attract and retain the best employees with an attractive service climate. Also, OCB enables stability in terms of organizational performance (invariant high output levels). However, some types of behaviors may be more significant in analyzing the relationship between OCB and organizational performance. Finally, OCB helps the organization to adapt to environmental changes.
Castro et al., (2004) suggested that there are many possible moderators of organizational performance. Even in the same company, heterogeneity among branches accounts for a significant difference in profitability. Size of the branch moderates the relationship between OCB and organization effectiveness. Larger branches are more profitable. However, it is difficult to identify the good employees who promote excellent service practices. In smaller branches it is much easier to develop a proper effective service climate. Such policies are necessary to implement a service oriented working environment (Yoon, Beatty, and Suh, 2001).

Contrary to this there is vie, which says that engaging in citizenship behavior may reduce individual productivity as an employee’s job suffers while he or she is helping a peer or otherwise engaging in prosocial behavior (Schanke, 1991). Therefore, prosocial citizenship behaviors may be organizationally functional or dysfunctional (Brief and Motowidlo, 1986; Van Dyne et al., 1995) whether or not they are perceived as ethical.

From holistic perspective it is suggested that OCB may not promote effective organizational functioning (Brief and Motowidlo, 1986; Schanke, 1991; Van Dyne et al., 1995). Individual actions, which in their aggregate comprise the OCB factors, may contribute differentially to productivity or may make no contribution. Organization-directed and other-directed behaviors may influence the organization differently and there may be an ethical base for certain OCB.

The complexity regarding relationship is aggravated due to lack of consensus over the definition of organization effectiveness and performance. Different authors have different indicators of organization effectiveness and performance. Also, to add on studies have been conducted on employees of wide professional orientation in varied sectors and industries. The figure 2.3 provides graphical illustration of antecedents and consequences of organization citizenship behavior. The coming section will discuss the organization effectiveness in detail.
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Figure 2.2: Correlates of Organization Citizenship Behavior
2.3 ORGANIZATIONAL EFFECTIVENESS

2.3.1. Definitions and Theoretical Perspectives

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.371). Different school of thoughts has different definition and measurement criterion of organization effectiveness.

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 definite definition of organization effectiveness.

Various researchers and authors have tried to define organization effectiveness in different ways. A large number of articles have addressed questions of how to define and measure organization effectiveness. Much of this research appeared in the late 1970s and early 1980s. The era of 1970 and 1980 defined the emerging success of companies in Japan and Asia and issues of long-term competitiveness and productivity of U.S. companies. Cameron (1986) noted that attention to organizational effectiveness had increased because of strong emphasis on excellence. Almost two million jobs were lost due to poor performance of U.S. companies and economic conditions. It forced organizations to take more accountability. Organizational Effectiveness was interpreted differently by different management schools of thoughts. Taylor (1911) in his principles of scientific management interpreted organizational effectiveness in terms of per capita productivity and quantitative output of employees, in factory/ manufacturing organizations.
According to the scientific management theory production maximization, cost minimization, technical excellence, optimal utilization of resources, task specialization are the primary attributes of an organization effectiveness. Fayol (1917) proposed adherence to his 4 management functions and 14 principles of would enhance an organization’s effectiveness. Elton Mayo (1933), through Hawthorne studies argued that performance of employees is dependent on both social issues and job content. Moreover, tension between workers' 'logic of sentiment' and managers' 'logic of cost and efficiency' could lead to conflict within organizations. Therefore, organization effectiveness is the degree to which an organization is successful in reducing conflict and disagreement. According to Mayo, focus of an organization should be on satisfaction and emotional needs of an employee.

According to Simon effectiveness is subjected to the bounded rationality, input/output efficiency criterion, functionalization based on subsidiary objectives. By rationality, Herbert Simon (1976) means “a style of behavior that is appropriate to the achievement of given goals, within the limits imposed by given conditions and constraints” (p. 405).

Herbert Simon stated that information is incomplete, imperfect or even misleading and problems are complex. Further, human information processing and time spent on decision making is limited, and decision makers often have conflicting preferences for certain organizational goals (Simon, 1976). Therefore, effectiveness is extent to which an organization is saving upon the resources through rational developments of goals and efficient information processing.

The central principles of socio-technical theory were elaborated in a seminal paper by Eric Trist and Ken Bamforth in 1951 (Trist and Bamforth, 1951). This management orientation focuses upon the interaction between people and technology in workplaces. Socio-technical theory is about joint optimization, with a collective emphasis on achievement of both excellence in technical performance and quality in people's work lives. Socio-technical system states that the interaction of social and technical factors creates the conditions for successful (or unsuccessful) organizational performance. Further, the optimization of each aspect alone (socio or technical) is
likely to increase the quantity of unpredictable, ‘un-designed’ relationships and those relationships that are injurious to the system’s performance. The organization effectiveness here is attributed to the degree of social/technological fit congruence of internal processes.

Alfred Chandler argues that structures follows strategy in organizations. Strategy is the determination of long-term goals and objectives, courses of action, and allocation of resources. Structure is the way the organization is put together to administer the strategy, with all the hierarchies and lines of authority that the strategy implies. Therefore, organization effectiveness is about structure/strategy congruence, competitive attainment, environmental control, and flexibility/adaptation (Chandler, 1962).

The human resource approach states that to achieve maximum profitability and productivity an organization must make optimum use of human assets. Here, the emphasis on the satisfaction of concurrent demands, power equalization, and participation. Therefore, organization effectiveness is attributed to employee satisfaction, productivity, cohesion, loyalty, and open communication (McGregor, 1960; Likert, 1967).

Contingency theory highlighted the significance of internal and external environment in which the firm/organization is operating. This theory states that organization needs to balance internal needs and to adapt to environmental factors. There is no one best way of organizing. Therefore, management must be concerned with achieving alignments and good fits. The organization effectiveness is determined by differentiation error, integration error organization, environmental adaptability, ability to implement change in a timely manner, and leadership contingency fit (Lawrence and Lorsch, 1967).

Organizational ecology approach highlights the importance of organization life cycle and its association with organization effectiveness. Organizational ecology utilizes insights from biology, economics, and sociology. It employs statistical analysis to try and understand the conditions under which organizations emerge, grow, and die. Here, the focus is upon the evolution and death of an organization and the environment in which an organization competes. Management aspect is considered
unimportant. The organization effectiveness is about surviving during different phases of life cycle of an organization (Hannan and Freeman, 1977).

Barnard view organization as systems of cooperation of human activity. Effectiveness and efficiency are two criterions for long term survival. Organizations do not survive because they do not meet the two criteria of effectiveness and efficiency for survival. He defined effectiveness as being able to accomplish stated goals. Barnard's meaning of organizational efficiency differed substantially from the conventional use of the word. He defined efficiency of an organization as the degree to which that organization is able to satisfy the motives of the individuals. If an organization satisfies the motives of its members while attaining its explicit goals, cooperation among its members will last. Internal equilibrium, adjustment to external condition, executive action, and example are some of the criterion for organization effectiveness (Barnard, 1938).

2.3.2 Models of Organization Effectiveness

i. **Rational Goal Model:** The rational goal model focuses on the organization's ability to achieve its goals. Etzioni (1960, 1964) is credited for developing this model. This model is based upon the assumption that goals are identifiable, definable, and attainable. Managers are capable of making rational decisions with respect to selecting and pursuing organizational goals. This model emphasizes the degree to which the organization realizes its goals. Evaluation criteria are derived from a definition of goals and mission statements of the organization which an organization is expected to achieve (Cunningham, 1975; Njoh, 1994). Organization effectiveness’s criterions are determined by the formal statements of goals found in charters, manuals, and other documents. Other criterions are derived from informal but operative goals and conceptualizations of societal missions or functions of the organization. An organization's goals are identified by establishing the general goal, discovering means or objectives for its accomplishment, and defining a set of activities for each objective. The organization is evaluated by goal statements and goal achievement. The process is valuable in defining the organization's accomplishments or achievements relative to specific activities, objectives, and goals.
This model has been attacked for its assumption. Firstly, an organization can have multiple goals. Secondly, goals of an organization might be conflicting with the other goals of an organization which it aims to achieve. Thirdly, the stated goals of organizations are often short on specificity. Fourthly, public and other non-private organization often have goals which are open ended, ambiguous, and lack the specificity necessary to make it meaningful for conceptual purposes. Fifthly, every time it is impossible for the organization to make rational decisions regarding organizational goals and the means necessary to attain them. There might be disagreement over the goals of an organization within the organization. The rational goal model gives feedback about the organization’s effectiveness in achieving its goals. It focuses on the systematic relationship of each activity, role, and function to the overall goals and objectives of the organization. The rational goal model's results frequently show that organizations do not reach their goals effectively, a fact which may be deduced from the way studies are conducted. Goals represent targets of given people at a given time, while organizations tend to be less consistent and perfect than their cultural anticipations. This is similar to comparing objects on different levels of analysis as, for example, when the present state of an organization (a real state) is compared with a goal (an ideal state) as if the goal were also a real state. Therefore, it is argued that the rational goal model should not be used to test the absolute effectiveness or ineffectiveness of a general program or organization. Another problem lies with the difficulty in identifying the ultimate goals of the organization. Goals are defined from the formal documents and policy decisions rather than from the directions of individuals in the organization. An adequate conceptualization of an organization's goals cannot be formulated unless all the salient factors of the total organization and its purposes are incorporated into the framework.

ii. **Systems Resource Model:** The systems resource model states that the organization is a network of interrelated subsystems. The outputs of one subsystem may become the inputs of another subsystem. The effectiveness of an organization is determined by the degree to which the organization’s subsystems are in harmony and are coordinated to work together (Etzioni, 1960; Georgopoulos and Tannenbaum, 1957; Ghorpade, 1971; Yuchtman and Seashore, 1967). The organization under this
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model aims to optimally allocate resources to various systems of the organization. The target is to balance out the resources among all subsystems of the organization according to their needs. This model argues that the allocation resources are primarily based upon the derived utility and subsystem’s need. The allocation and distribution of resources is not due to attachment to some organization goals. This model states that organization strives to survive and satisfy the needs of its components. The need of the sub systems are classified as following (Cunningham, 1977):

1. Ability of an organization to exploit its environment in acquisition of scarce and valued resources.
2. Ability of the system's decision-makers to perceive, and correctly interpret, the real properties of the external environment.
3. Ability of the system to produce a certain specified output.
4. Maintenance of internal day-to-day activities.
5. Ability of the organization to co-ordinate relationships among the various subsystems.
6. Ability of the organization to respond to feedback regarding its effectiveness in the environment.
7. Ability of the organization to evaluate the effect of its decisions.
8. Ability of the organization's system to accomplish its goals.

The effectiveness of the organization is in satisfying these systems' needs of efficiency measures and stress measures. Efficiency refers to an indication of the organization's ability to use its resources in satisfying the needs of most important subsystems' needs. On the other hand stress is the tension produced by the system in fulfilling or not fulfilling its needs. Therefore, each of the subsystems' needs should be evaluated from two focal points - efficiency and stress. The main difficulty with the systems resource model is in establishing unambiguous and acceptable criteria for measuring efficiency. The emphasis on efficiency may produce stress (Gowler, and Legge, 1975; Jaques, 1961; Kahn, Wolfe, Quinn, Snoek, and Rosenthal, 1964). Individuals are likely to feel anxious when they cannot achieve the efficiency they
demand of themselves or that is demanded of them by their occupational roles (Gowler and Legge, 1975). Over- or under-emphasis on efficiency may create feelings of frustration, resentment, and anxiety (Gowler, 1975).

iii. Managerial Process Model: This model focuses upon organization effectiveness though effectiveness of the managerial functions and activities in organization. The managerial process model evaluates an organization's effectiveness by its ability of an organization to perform managerial functions effectively like decision-making, planning, organizing, executing, and budgeting. The model is based upon the assumption that goals are set and met as a result of the effectiveness of the various management functions (Cyert and March, 1963; Filley and House, 1969, Pfiffner and Sherwood, 1960). The organization effectiveness is determined by the capability of its processes to achieve its envisioned goals. Further, this model highlights the importance of the processes to achieve goals and adaptation to plan changes rather than goals itself. Thus, the model provides a measure of the capability of the managerial processes for attaining goals. Productivity becomes an index of the organization's accomplishments within specified managerial processes. The managerial process model is based on the intuitive concept of substantial rationality, which inter-relates the drives, impulses, wishes, feelings, needs, and values of the individuals to the functional goals of the organization (Mannheim, 1947). An organization is considered rational when its various processes and patterns enhance the individual's productivity and capability to respond to the goals of the organization. The managerial process model provides information on how employees in the organization judge the usefulness of the various managerial processes in achieving goals and objectives.

iv. Organizational Development Model: The organizational development (OD) model view effectiveness in terms of the organizations problem-solving and rejuvenation capabilities (Likert, 1958, 1973; MacGregor, 1960). The model focuses on developing over all organization to survive and grow from long term perspective. This model evaluates effectiveness of an organization from the extent to which: (a) supervisory behavior manifest interest and concern for employees (b) team spirit, group loyalty, and teamwork among employees and between employees and
management. (c) confidence, trust and communication between employees and management (d) freedom to employees to set their own goals (Likert, 1958). This model attempts to amalgamate organizational goals with employee’s needs for growth using knowledge and techniques from the behavioral sciences. The rationale is to design a more effective and functioning organization in which the potential of each member is fully realized. It fosters a development approach. This model is concerned with changing beliefs, attitudes, values, process, structures, and systems so that organization and employees can better adapt to new technologies, challenges, and changes. The ultimate goal is to make the organization more effective through developmental approach. It cannot be accomplished until the constraints that operate within the organization are resolved. This model is based upon the assumption that pressure-oriented, threatening, punitive management yields, lower productivity, higher costs, increased absenteeism, and less employee satisfaction than supportive, employee-centered management which uses group methods of supervision coupled with high performance expectations (Likert, 1958, p. 45). The model is based upon the foundation that the negative attitudes toward held by employees towards work and organization is nothing but the reactions to their work environment and how they are treated by the organization, rather than intrinsic personality characteristics. Further, higher productivity could be achieved if; work is organized to meet people's needs as well as organizational requirements. The focus of an organization is to arrange conditions and operations so that people can adjust their own goals accordingly. It is a process of management by objectives in contrast to management by control (MacGregor, 1960). The OD model attempts to generate information about feelings, interpersonal communication, trust, and openness in order to construct an organization in line with the interests and desires of the employees.

The OD model is criticized for it’s over emphasis on the informal rather than the formal organization. The informal culture of is a strong determinant of employee attitude and behavior. However, the model fails to deliver a statement on the organization's ability to achieve results. Employees may resist accepting the interpersonal feedback suggested by the models. OD drive on developing skills in communication, leadership, and problem-solving is undertaken for an organization
not ready for it, and then it might have the serious consequence of polarizing organizational members.

The OD model shares some similarities with previously mentioned managerial model. Both the models assess the behaviors of individuals in the organization. They provide information on administrative capabilities, productivity, values, beliefs, organizational norms and habits, mannerisms, job satisfaction, and motivation. This information creates the focal point for developing employee's competence to perform administrative processes, and to be more responsive to the needs of other employees and the organization as a whole.

v. **Bargaining Model**: The bargaining model envisages an organization in terms of exchanges and transactions of individuals and groups pursuing a diversity of goals (Barnard, 1938; Georgiou, 1973; Levine and White, 1960; Merton, 1956; Yuchtman and Seashore, 1967). This model emphasize that the effectiveness from the capacity of an organization to make decisions regarding exchanges between the organization's components. Decisions, problems, and goals are more useful when shared by a greater number of people. Organizational accomplishments are the outcome of a complex process of accommodation and adjustment between elements. The focus in upon exchanges and transaction relevant to that particular problem. The bargaining model based upon assumption that an organization is a cooperative, sometimes competitive, and a resource distributing system. Each individual and group, have a defined value of resources (time, money, human resources), is in a specific systematic relationship for the accomplishment of definite goals. In the process of exchange, parties involved attempt to achieve objectives important to them (March and Simon, 1969). An organization is effective if its goals elicit sufficient contributions from participants (Barnard, 1938). The goals most likely to be accomplished are those in which numerous groups share a common interest. The bargaining model's emphasis is on how various decision-makers, with different re-sources and capabilities, utilize their resources. Each decision-maker bargains with other groups for scarce resources which are vital in solving problems and meeting goals. The overall outcome is a function of the particular strategies selected by various decision-makers in their bargaining relationships. The measurement of effectiveness involves identifying decision-makers'
allocation of re-sources towards their objectives. The model analyze distribution of resources among key decision-makers, impact of the organization's activities on key client groups, power alliances in the execution of key decisions, and type of emerging administrative structures as the organization buffers itself from the environment. The common basis for all three models is the assumption that an organization is effective if it appropriately serves its defined needs. In this context, needs refer to requirements the organization has to meet in order to relate effectively to other parts of the organizational system. The bargaining model, in assessing the capacity of existing resources to achieve organizational goals through alliances or coalitions, should indicate the cooperation or antagonism taking place between them. The model's strength lies in its use as a policy device for identifying individuals and groups who should be using their resources to achieve goals.

vi. **Structural Functional Model:** The structural functional approach attempts to understand the structural patterns developed by the organization to maintain, grow, and achieve goals (Gross, 1966; Selznick, 1948; 1953). This model argued that an organization is effective by its ability to develop structures alliances, traditions, doctrines, contracts, commitments, and mechanisms of participation. The organization will deteriorate, if it fails to do. According to this model, organization's systems need maintenance and continuity. The following aspects define this: (a). Security of the organization as a whole in relation to the social forces in its environment. This relates to the system's ability to forestall threatened aggressions or deleterious consequences from the actions of others. (b). Stability of lines of authority and communication. This refers to the continued capacity of leadership to control and have access to individuals in the system. (c). Stability of informal relations within the organization. This develops effective mechanisms for individuals and sub-groups to adjust to each other. (d). Continuity of policy-making. This pertains to the ability to re-examine policy on a continuing basis. (e). Homogeneity of outlook. This refers to the ability to effectively orient members to organization norms and beliefs (Selznick, 1948). The system, in responding to these needs, develops mechanisms for protecting and securing the organization. Such structural formulations for concern for people community input may emerge as defense mechanisms, but it remains as dogma when specified in
administrative procedure. The structural functional model is implemented by defining the organizational structures which evolve as the system maintains itself and stabilizes its relationships with its environment. Ideologies, cooptation, and commitments are viewed as a result of the lack of elements for effective maintenance of the organization's needs. Effective organizations are able to survive by developing structures that do not restrict their freedom of action. The structural functional approach is useful in detecting how organizational structures develop in response to the needs for their survival. Attention is focused on the structural conditions (bureaucratic and administrative) and requirements in influencing organizational behavior and functioning.

vii. **Functional Model:** In the functional approach an organization's effectiveness is determined by the consequences of its activities (Fremont, 1975; Merton, 1956; Mitchell, 1958; 1967; Parsons, 1956, 1959, 1960, 1969). The frame of reference for this assessment is not the organization structure itself, but how its activities benefit the organization. Under this model every system must define its purpose for being (goal attainment), determine resources to achieve its goals (adaptation), establish a means for coordinating its efforts (integration), and reduce the strains and tensions in its environment (pattern maintenance). Goal attainment centers on definition of goals and evaluation of accomplishments. Adaptation treats the functional area of procurement of resources, budgeting, management, and personnel. Integration is accomplished through division of tasks and responsibilities as well as their coordination. In pattern maintenance, tensions are reduced by answering clientele needs, considering the public interest, and promoting employee satisfaction and morale. Two of these functional variables, goal attainment and integration, are regarded as ends in themselves; the other two, adaptation and pattern maintenance, are facilitative or instrumental in accomplishing these ends (Fremont, 1975; Mitchell, 1958). The organization is considered to be effective if these activities are functional or dysfunctional in fulfilling the organization's goals. Functional consequences are observed behaviors that change existing conditions in the direction of desired objectives. Dysfunctions are observed consequences that change existing conditions in the direction contrary to those valued, or that interfere with the achievement of desired objectives. Functions meet existing needs, whereas dysfunctions generate new needs in
the system. Therefore, functions and dysfunctions modify organizational conditions, but in varying ways. Functions and dysfunctions are experienced in terms of prevailing values, as necessitating some improvements. The functional approach sheds light on the organization's ability to meet the needs of key client groups in its environment. It pinpoints the functions it should carry out to facilitate realization of its goals.

There are few similarities between the functional, structural functional and bargaining models. All three models rely on information to analyze the relationship of the organization with its surrounding environment. The major limitation of these three models is their emphasis on very specific aspects of the organization's effectiveness. The functional approach analyzes the impact of the organization's goal activities on key audiences; the structural functional approach views how organization structure develops in responding to the environment; the bargaining model detects how decision makers use the organizations scarce resources. While, each analysis points to a relevant aspect of the organization's functioning, there is nothing to suggest that improvements in these transactions will result in correspondingly greater productivity. Nonetheless, the models yield valuable insight into an organization's interaction with its environment. Each model's conceptual framework is based on certain unfounded assumptions of organizational effectiveness.

viii. Multiple-Constituency Model: This model states that organizations have various constituents. Organization effectiveness is the degree to which an organization satisfies its constituencies. Organization is effective if interests of important constituencies are served. The model strength lies in its focus in providing a multiple perspective of organization effectiveness was considered as its biggest strength. However, the unifying framework of organization effectiveness was criticized for its multiple perspectives. As entertaining multiple constituents, with conflicting interest is not considered workable. Thus, it is difficult, if not impossible, for an organization to maximize its effectiveness on all dimensions equally and simultaneously. Steers (1975) argued that as per the criterion of multiple constituent models, organizations by definition cannot be effective. Critics found this model overly ambitious. At first place any organization would have trouble in obtaining information on the demands and interest of the organization’s multiple constituencies.
Pfeffer and Salancik (1978) have elaborated assumptions of this model. The constituencies of an organization can be classified in order of their importance to the organization. Njoh (1994) argued that organization’s constituencies are equally important. Further, this model is criticized for its tendency to disregard the influential and powerful constituencies of the organization. The problem here is that the less visible interest groups are either ignored or underestimated. This might not be beneficial for an organization from long term perspective. Moreover, it has been attacked for being over promising about its multiple perspective approach than other models of the organization effectiveness. This model is considered troublesome for developing economies, where resources are scarce, and some tradeoffs must be made amongst choices. The importance of these tradeoffs is totally ignored by the model. The other challenge is determining social, environmental, and other tangible costs and benefits of organizational actions to the larger society, which the model claims to do. Njoh (1994) stated that the model’s claim satisfactorily deal with this problem is illusionary. Therefore the utility of this model is diminished.

ix. Competitive Value Approach Model: The contribution of the previously mentioned models is highly appreciated in the literature of organization effectiveness. However, these models are limited in their scope and perspective to organization effectiveness. Each model emphasizes a limited approach to organizational effectiveness. Cameron (1981) argued that a unilateral view ignores the complexity of organizational effectiveness and effectiveness models should capture multiple dimensions. There is a wide agreement that organizational effectiveness requires a multidimensional approach (Shilbury and Moore, 2006; Sowa, Selden, and Sandfort, 2004). The most rigorous and influential multidimensional approach is the competitive value approach (CVA) of Quinn and Rohrbaugh (1981, 1983). The CVA was an attempt to identify the shared criteria that academics use to evaluate organizational effectiveness. In the first stage the Campbell’s (1977) list of 30 effectiveness indices was reduced to singular non-overlapping constructs with the same level of analysis and pertaining to performance. Academic experts were asked to judge the effectiveness criteria on four decision rules. In the second stage, the panel members were asked to evaluate every possible pairing between the remaining 17 criteria. Multidimensional scaling was then used to identify the basic value dimensions
Chapter 2: Review of Literature

that academics use to conceptualize organizational effectiveness. The results suggested that individuals evaluate organizational effectiveness based on three super ordinate value continua. The first dimension is organizational focus: an internal (micro focus on the development of people in the organization) versus an external focus (macro focus on the development of the organization itself). The second dimension is related to organizational structure: a concern for flexibility versus a concern for control. The third dimension is related to organizational outcomes: a concern for means (important processes) versus a concern for ends (final outcomes). Each dimension represents values that influence criteria used in assessing effectiveness.

Each criterion in the construct of organizational effectiveness reflects various combinations of these values. The combination of the first two value continua (or ‘axes’), the organizational focus and the organizational structure produces four cells. The human relations model has an internal focus and flexible structure. The open system model has an external focus and an emphasis on flexibility. The rational goal model places an emphasis on control and has an external focus. The internal process model has an internal focus and places an emphasis on control and stability. The combination with the third axe, means and ends, reveals that eight cells represent four basic models of organizational effectiveness. Quinn and Rohrbaugh (1983) repeated the initial exploratory study with a larger and more diverse group of organizational theorists. The criteria showed only little alteration in their spatial position and the results confirmed a model with three axes. The overall conclusion is that organizational researchers share an implicit theoretical framework about organizational effectiveness composed of three value dimensions. Moreover, the four models express different and sometimes opposite value dimensions. However, this does not imply that they are mutually exclusive. The CVA highlights that opposing values exist in organizations and that organizations embrace each dimension to some degree. Although the CVA is originally designed to measure effectiveness, the framework has been extensively used in many areas of organizational research such as organizational culture (Colyer, 2000; Muijen and al, 1999; Quinn and Spreitzer, 1991; Van Muijen and Koopman, 1994), organizational climate (Patterson, West, Shackleton, Dawson, Lawthom, Maitlis, 2005), leadership and organizational behavior (Denison, Hooijberg, and Quinn, 1995), organizational transformations (Hooijberg and Petrock,
A criticism on the CVA is that it reflects effectiveness value judgments of academics and organizational theorists. The CVA explores how academics think about the effectiveness construct. Although Quinn (1984) argued that managers use these dimensions when evaluation social action and although this claim receives empirically support from Rohrbaugh (1981), perceptions of effectiveness criteria among academics and managers may well diverge. Walton and Dawson (2001) explored the claim whether managers and academics share the same effectiveness construct. The results suggest that executives’ perception of effectiveness differed strongly from those of academics. They shared one common dimension (internal versus external focus); however, they differed on the salience of that dimension, the number of underlying value dimensions and the relevance of ease of control.

Rojas (2000) concluded that the CVA is the most viable model for measuring organizational effectiveness among nonprofit and profit organizations. The CVA possesses instrument validity, reliability and breadth of empirical research to suggest a high degree of confidence in estimating measurements of organizational effectiveness across sectors. Quinn and Rohrbaugh came out with revised version which they referred as spatial model of organization effectiveness is discussed and explained further.

x. Spatial Model of Quinn and Rohrbaugh: Quinn and Rohrbaugh (1983) illustrated the idea that organizational effectiveness is "a socially constructed, abstract notion carried about in the heads of organizational theorists and researchers" (p. 374). While working with Campbell's list of 17 effectiveness criteria, Quinn and Rohrbaugh came out with 136 paired comparisons. The resulting similarities judgments were subjected to multidimensional scaling to identify basic underlying dimensions of organizational effectiveness. The pairing and scaling processes with this reduced list were then replicated with a larger, more diverse group of organizational theorists and researchers. The same underlying dimensions appeared as before, with only minor differences, suggesting "that organizational researchers share an implicit theoretical framework” about organizational effectiveness consisting of “three axes or value dimensions” (p. 369). These axes are orthogonal to each other, and represent organizations’ structural properties (centralized/decentralized), attention orientations (internal/external focus), and the relationship between means and ends to achieve desired outcomes.
Quinn and Rohrbaugh mapped the various effectiveness constructs on to what they term a “spatial model” of organizational effectiveness. The spatial model, a modified version reflects a competing-models framework of means, ends, management values, and structural preferences. This model is based upon the implicit assumption that it represents a shared construct, or a set of cognitions shared among their panelists. This is an expansion of the Campbell list and the panelists' common exposure to prior writings and research. The means ends, and values illustrated by the model seem to have their antecedents in the principles, guidelines, and philosophies of earlier research.

Lewin and Minton (1986) highlighted how this spatial model captures the classical work on management. Authors stated that organization criterion can be mapped on to the basic spatial model framework, with primary interest in the fit on the structure (vertical) and focus (horizontal) axes. Content analysis and spatial model mapping can also be performed for the management practitioner literature. Authors stated that the basic spatial model does not address attributes of organizational culture at all in relation to organizational effectiveness. It was argued that rather than suggesting that theorists and practitioners hold incompatible views of organizational effectiveness, it may be fruitful to search for a number of equally valid partial constructs which would include dimensions not clearly set forth in the Campbell taxonomy, from which the "spatial model" was developed. In presenting the logic behind the multiplicity of such partial constructs, Cameron and Whetten (1983) state that “No one approach to effectiveness is inherently superior to another” (p. 3), due to “multiple conceptions of organizations, unbounded construct space, and an absence of consensual criteria” (p. 19).

2.3.3 Measurement of Organization Effectiveness

The review clearly indicates that there exists no clear definition of organization effectiveness. Despite the emergence of various OE models, there is no agreement on the constituents of OE. The measurement of OE is difficult due to inherent complexities of the construct itself. Some of the issues in the measurement of OE are highlighted by Steers (1976) and they are : - (a) Construct validity: there is no agreement of the domains of OE. Further, review does not suggest any alignment in the correlates and predictors of
OE. (b) Criterion stability: There is no stability in the criterion to assess the OE. In face of
global economic boom, the financial criterion can be interpreted differently than in to
poor economic conditions. (c) Time duration: This is another big challenge. The criterion
to measure short term and long term OE are different. Further, the short term
effectiveness of a firm could be at the cost of long term effectiveness. (d) Multiple
criteria: There are multiple criterions under one framework and some of the criterions
have complicated interaction with each other. (e) Precision of measurement: the criterions
of OE are difficult to quantify due to magnitude and complexity of the concept. The
precision and accuracy of OE criterion is debatable. (f) Generalizability: The evaluation
of OE cannot be generalized across organization of varied characteristics. (g) Theoretical
relevance: questions are raised over the theoretical relevance of the models. (h) Level of
analysis: majority of models measure OE at macro level. The measurement of OE is
complicated as there is little integration between macro and micro level analysis of OE.
The tabular representations of measures of OE are presented in Table 2.1. The next
section will discuss the antecedents of organization effectiveness.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Measurement Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steers (1975)</td>
<td>Productivity, Satisfaction, Profitability, and Resource acquisition</td>
</tr>
<tr>
<td>Seashore and Yuchtman (1967)</td>
<td>Decreasing production costs, Increasing productivity of employees, Attracting young employees, and Implementation of new strategies</td>
</tr>
<tr>
<td></td>
<td>Adding additional employees, Improvement in managerial skills, Lowered overhead cost, Increased employee productivity, and</td>
</tr>
<tr>
<td></td>
<td>Increased market share</td>
</tr>
<tr>
<td>Sandra M. Walz and</td>
<td>Profit margin, Financial performance, and Customer satisfaction</td>
</tr>
<tr>
<td>Brian P. Niehoff (2000)</td>
<td></td>
</tr>
<tr>
<td>Campbell (1977, pp. 36-39)</td>
<td>Productivity, Efficiency, Profit, Quality, Accidents, Growth, Absenteeism, Turnover, Job satisfaction, Motivation, Morale, Control Conflict/cohesion,</td>
</tr>
<tr>
<td></td>
<td>Flexibility/adaptation, Planning and goal setting, Goal consensus, Internalization of organizational goals, Role and norm congruence, Managerial</td>
</tr>
<tr>
<td></td>
<td>interpersonal skills, Managerial task skills, Information management, Communication readiness, Utilization of environment, Evaluations by external</td>
</tr>
<tr>
<td></td>
<td>environment entities, Stability, Participation and shared influence, Value of human resource, Achievement emphasis, Training and development emphasis</td>
</tr>
</tbody>
</table>
2.3.4 Antecedent of Organization Effectiveness (and Organization Performance)

The antecedents of organization effectiveness are as follows:

i. **Organization Climate:** The evidence for the relationship between organizational climate and organizational effectiveness is currently somewhat limited. However, there are a number of studies conducted in the past 20 years that have shown links between climate, or other job-related attitudes, and performance at the organizational and organizational subunit level (Abbey and Dickson, 1983; Denison, 1990; Kwok, 1997; Ostroff, 1992; Ryan, Schmit, and Johnson, 1996; West, Smith, Feng, and Lawthom, 1998).

The term psychological climate refers to individual perceptions of organizational attributes, such as policies, practices, and procedures (James, James, and Ashe, 1990; Reichers and Schneider, 1990). These can include perceptions of HRM practices (job enrichment) as well as other organizational attributes. When these evaluations are shared by a sufficiently large number of people within a workplace, they are referred to as organizational climate. A positive organizational climate is thought to enhance employee motivation and increase the likelihood that employees will allocate discretionary effort to their work tasks (Brown and Leigh, 1996; Neal and Griffin, 1999). A small number of studies have found that climate is positively associated with productivity at the organizational level of analysis (Hansen and Wernerfelt, 1989; Ostroff and Schmitt, 1993). Other studies have demonstrated that closely related constructs, such as morale, are associated with organizational productivity (Koys, 2001; Ryan, Schmit, and Johnson, 1996) and those specific types of climate, such as service climate, are associated with other indicators of organizational effectiveness, such as customer satisfaction (Schneider, White, and Paul, 1998). It has been argued that under some circumstances, unions may enhance productivity by compensating for poor management practices, and fostering collective input (Cooke, 1994; Freeman and Medoff, 1984; Guthrie et al., 2002).

McCormick and Parker (2010) argued that both organizational climate and OE are multi-dimensional. The importance of multiple, ‘competing’ climates was examined and their influence on effectiveness outcomes. The four proposed multiple dimension
were internal-flexibility, external control, external flexibility, and internal control. All these climates are related to business performance. The study highlighted the value of climate for business performance.

A positive organizational climate is thought to enhance employee motivation and increase the tendency that employees will allocate discretionary effort to their work tasks. A small number of studies have found that climate is positively associated with productivity at the organizational level of analysis. Studies have also demonstrated that closely related constructs, such as morale, are associated with organizational productivity (Koys, 2001). The challenge here is multidimensional nature of organization effectiveness and organization climate. The multidimensional nature of both the variables make it difficult for researchers to reach at precise conclusion. To overcome this Gelade and Gilbert (2003) studied organization climate and organization effectiveness through data envelop technique (DEA). Authors described the DEA technique for evaluating the relative efficiencies of organizations that consume multiple inputs and produce multiple outputs and demonstrate its application to organizational research. The use of DEA was illustrated by calculating the relative efficiencies of the branch offices in a retail banking network, and it is shown that measures of efficiency calculated using the DEA method correlate significantly with organizational climate as measured by employee’s perceptions of operational and management practices.

**ii. Service Climate:** Review suggest that overall service climate is correlated with different measures of customer satisfaction. The aggregated employee attitudes such as satisfaction, teamwork, quality emphasis, and customer focus are related to customer satisfaction, employee turnover, and measures of branch financial performance (Rogga, Schmidta, Shulla, Schmitt, 2001; Guthrie et al., 2002). Kirk et al., (2001) found a relationship between climate and customer satisfaction (an indicator of OE). They assessed the degree to which employees value customers and are concerned about their needs and desires.

**iii. Creativity and Quality Function Deployment:** Over the years, organizational performance has been used to evaluate and compare different theories of motivation, creativity, and the contributions of individual or organizational groups. Creativity
refers to “a creative organization or unit, where a great deal of creativity is called for and where people believe they actually produce creative work”, while “productivity” refers to “an efficient, effective and productive organization or unit” (Amabile et al., 1990, p. 1166). Despite limited review there are evidences which link creativity to the organization effectiveness and outcomes. Politis (2005) examined the relationship between organizational creativity, productivity and the underlying dimensions that foster quality function deployment (QFD). Author came out with three major findings in this research. First, the positive and significant relationship between the QFD variables and organizational creativity. Second, the relationship between the QFD variables and productivity is stronger compared with the relationship between the QFD variables and organizational creativity.

iv. **Top Management:** Strategic-choice theorists argue that top management team (TMT) in organization have substantial discretion in determining the future strategic contour of firms. Upper echelon theorists argue that top managers are the strategists who set the direction of firms and the pace of competition in the industry (Child, 1972). Further, they argue that top management team characteristics are an important element that determines the market niche in which a firm competes and the strategic direction which firm follows. TMT position the organization strategically in the market. Based on this it is expected that TMT would have implication for the effectiveness of the organization. Top managers can choose decision-making environments that are conducive to realizing the organizational potential. It can influence external and internal environments by constructing, eliminating, or defining characteristic elements of an environment (Pegels, Song, Yang, 2000). These theorists have linked the characteristics of top-level decision makers to organizational processes and outcomes. It states that organizations are a reflection of their top executives. Substantial research effort has drawn on the idea that demographic characteristics such as age, tenure, and functional background of TMT influence organization effectiveness (Carmeli, 2008). Similarly author also studied the impact of outsider in TMT, heterogeneity of TMT and behavior integration on organization effectiveness. The coming section will analyze it in detail.
TMT characteristics such as age, organizational tenure, educational level, and technical specification influence the firm's decision-making process in terms of receptivity to change and willingness to take risk, which in turn affect the degree of corporate strategic changes (Boeker, 1997; Wiersema and Bantel, 1992; Knight, Pearce, Smith, Olean, Sims, Smith, Flood, 1999). Review of literature indicates that team demography influences team processes, such as social integration and communication, and these processes further affect organizational strategy and outcome. Moreover, a firm's prospective profitability, growth, and competitiveness are believed to be a function of psychological predispositions of top executives (Finkelstein and Hambrick, 1990; Wiersema and Bantel, 1992). Murray (1989) used social integration and communication patterns to predict the form of the relationship between team heterogeneity and organizational performance. It was argued that high team heterogeneity may lower performance in stable environments because the TMT would be less cohesive and require more formal communication. Therefore, the organizational performance of firms is contingent at least partly upon the fit between demographic TMT characteristics and environmental characteristics. However Pegels, Song, Yang (2000) argued that the proximity of a firm's TMT characteristics to the dominant TMT characteristics of the competitive interacting group in which it competes is an important predictor of the firm's performance.

The heterogeneity of TMT and its relationship with organization effectiveness has been studied.

The effect of heterogeneity on organization performance is also influenced by the environment in which it is operating. For example TMT heterogeneity may show dominant presence in stable environments where group cohesion produces better results (Pegels, Song, Yang, 2000).

The literature suggests that team diversity has both advantages and drawbacks. On one hand, diversity means broad cognitive resources (values, perspectives, experience, and skills) and the creation of substantive tasks, processes or conflicts (Jehn and Bendersky, 2003). This, in turn, has been shown to improve decision quality (Jehn and Bendersky, 2003). On the other hand, diversity may lead to
dysfunctional conflicts, which can result in a slow decision-making process, politicized behavior, and incoherence (Jehn and Bendersky, 2003; Mooney and Sonnenfeld, 2001). Thus, the advantages of substantive conflicts, which have critical implications for decisions, may be offset by non substantive conflicts. Many diversified TMTs fail to exploit their cognitive resources due non substantive conflicts (Carmeli, 2008).

Siciliano (1996) conducted a research on 240 YMCA organizations. Diversity in board member characteristics were advocated as a means of improving organizational performance by providing boards with new insights and perspectives. Results revealed higher levels of social performance and fundraising results when board members had greater occupational diversity. Gender diversity compared favorably to the organization's level of social performance but a negative association surfaced for level of funds raised. The diversity in board member age groupings was linked to higher levels of donations. Board members representing diverse occupational backgrounds were associated with organizations that appeared to place greater emphasis on their social agency mission and had higher levels of contributed revenue. No significant relationship between this diversity variable and operating efficiency was revealed. The results showed that a contingency situation existed where the importance of board representation hinged on the type of performance examined. There has been debate over whether a homogeneously composed TMT functions better than a heterogeneously composed TMT. The empirical evidence is inconclusive (Carmeli, 2008).

The outsider representation plays a crucial role in the organization’s outcomes. Judge and William Q Jr. (1994) found the relationship between board position with measures of financial and social performance. Contrary to previous findings this study found relationship between outsider representation and financial performance. It was argued that outsiders bring objectivity to the decision process and a concern for the organization's financial well-being which insiders may not possess (Judge and Zeithaml, 1992; Fama and Jensen, 1983). The level of outsider representation was positively associated with industry-adjusted profitability (Baysinger and Butler, 1985), risk-adjusted market returns in manufacturing firms (Schellenger and
Tashakori, 1989), social performance (Baysinger and Hoskisson, 1990), earnings per share, stock returns, and subjective estimates of financial performance (Pearce and Zahra, 1881). Some studies reported that outsider representation to be negatively related to financial performance. Outsiders on the board may limit the flow of information in boardroom discussions, and hence, limit the financial performance of the organization (Baysinger and Hoskisson, 1990).

In an in-depth study of 12 TMTs, Eisenhardt et al. (1998, p. 154) showed that diversity in itself is not of much value (in the creation of substantive conflicts and effective decisions) if “executives have a poor grasp of their own or others’ points of view.” Such a “grasp” could be achieved through interactions (Eisenhardt et al., 1998, p. 154), a core aspect of the behavioral integration construct (Hambrick, 1994).

Bourgeois, (1980) studied the relationship between consensus and performance among TMT. Top management consensus on corporate objectives and on the competitive weapons employed to attain them was studied in 12 non-diversified public corporations. It was found that while agreement on both is associated positively with economic performance, agreement on means is significantly more important, agreement on goals without agreement on means correlates with poor performance. The findings suggested that strategy makers should concentrate on reaching consensus concerning means rather than ends (goals) when formulating strategies for single-mission enterprises. The study indicated that lack of consensus on means is more troublesome than disagreement on ends.

v. Organization Culture: Organizational culture is a central construct in examining the managerial and organizational effectiveness. The centrality of organizational culture in contemporary research is exemplified by Wilkins and Ouchi's (1983) contention that “organizational performance cannot be adequately nor accurately understood without a comprehension of the culture of the organization” (p. 469), and by Ouchi and Wilkins' (1985) claim that it “has become one of the major domains of organizational research, and some might even argue that it has become the single most active arena” (p. 458). The empirical literature on organizational culture and effectiveness can be traced back to early studies of culture and adaptation (Weber, 1930; Buckley, 1967), and to the work of classic organizational theorists such as Likert (1961), Burns and Stalker (1961), or
Lawrence and Lorsch (1967). Organization culture influence OE (Deal and Kennedy, 1982; Peters and Waterman, 1982; Schein, 1992; Wilkins and Ouchi, 1983). Culture influence the effectiveness through norms, values, beliefs, assumptions, and shared meaning. These components direct the behavior of the employee (Alvesson, 2011; Denison, 1990). Culture and effectiveness is also studied from consistency of the traits of the organization. Kotrba, Gillespie, Schmidt, Smerek, Ritchie, and Denison (2012) argued that consistency is contingent on the levels of adaptability, mission, and involvement. Further, high consistency with moderate scores of adaptability, mission, and involvement is associated with high profitability.

Denison and Mishra (1995) developed a model of organizational culture and effectiveness based on four traits of organizational cultures. Authors chose traits like involvement, consistency, adaptability, and mission. Qualitative case studies of five firms were used to identify the traits and the nature of their linkage to effectiveness. Further, authors provided exploratory analysis of CEO perceptions using quantitative study of chosen four traits and their relation to subjective and objective measures of effectiveness in a sample of 764 organizations. The results showed support for the predictive value of the traits, and association of qualitative and quantitative methods for studying organizational cultures. Traits like involvement and adaptability, were indicators of flexibility, openness, and responsiveness, and were strong predictors of growth. The other two traits, consistency and mission, were indicators of integration, direction, and vision, and were better predictors of profitability. Each of the four traits was also significant predictors of other effectiveness criteria such as quality, employee satisfaction, and overall performance. The results also showed that the four traits were strong predictors of subjectively-rated effectiveness criteria for the total sample of firms, but were strong predictors of objective criteria such as return-on-assets and sales growth only for larger firms. Authors strongly argued that culture is an integral part of the adaptation process of organizations and specific culture traits are useful predictors of performance and effectiveness.

Reviews suggest that culture measures (perceived involvement and participation) on the part of organizational members predicted both current and future financial performance. High and low performing companies have culture profiles. Researchers also contrasted the effects of internal organization and market position on
performance, association between cultural values, and practices associated with the growth patterns (Fjortoft and Smart, 1994).

Lewin and Milton (1986) argued that organization culture is one of the variable not captured in organization effectiveness research. Further, author argued that culture does not consider organizational effectiveness as an objective. Therefore, there is need to examine the relationship between culture and organization effectiveness. There is a need to understand the instrumentality of organizational culture in improving, or maintaining organizational effectiveness. Martin, Sitkin, and Boehm (1984) have suggested that "strong" cultures may slow down the organizational life-cycle clock by fortifying organizations against the unavoidable bumps and shocks, and by improving their overall effectiveness.

vi. **Ethical Orientation:** Review suggests that solely focusing upon financial performance of the organization might not provide term sustainability. Ethical performance got attention due to its strong linkage with financial performance. Ethics involving governance, marketing, and accounting, human resources, innovation, and investment strategies contribute to an organization’s financial health (Hitt and Collins, 2007). Ethical organizations have advantage of attracting high quality employees, customers, suppliers, investors, community members, and government bodies’ support. All these factors direct the leaders to achieve superior performance in synchronization with ethical behavior (Collins, 2010). The relationship between ethics and organization performance is complex. There is high probability that other factors might influence the link between ethics and organization performance. For instance, internal collective processes based on employees’ collective organizational commitment and OCB mediate the relationship between ethics and performance (Chun, Shin, Choi, and Kim, 2011).

vii. **Employment Flexibility:** Lepak, Takeuchi and Snell (2003) advocated the benefits of different types of employment flexibility and its links with organization outcomes. They examined the relationships among the four types of employment (knowledge-based, job-based, contract, and alliances) and firm performance. The nature, job-based employment is viewed as relatively rigid in terms of its flexibility to
perform a wide assortment of tasks. Whereas, knowledge based employment is characterized by broad latitude and variety in task (Drucker, 2000).

The results indicated that a greater use of knowledge-based employment and contract work is positively associated with firm performance. The results also indicated that both knowledge-based employment and contract work positively interact with job-based employment to impact firm performance. In addition, the relationships between knowledge-based employment and firm performance, as well as between job-based employment and firm performance, vary across levels of technological intensity.

Researchers have studied the use of different employment modes and their implications for firm performance related to the flexibility provided by the use of alternative employment modes. Employment flexibility provides resource as well as coordination flexibility to the organization. Coordination flexibility refers to the extent to which firms can reconfigure, re-synthesize, and redeploy the chain of resources. Resource flexibility refers to the extent to which a resource itself can be applied to a larger range of alternative uses. It also include the costs and difficulty of switching the use of a resource from one alternative use to another as well as the time required to switch from one use to another. Organizations can enhance firm performance from a greater use of external employment. For example contract work and alliances can be used as a means to enhance flexibility to access and utilize human assets. Firms can adjust the human resource requirement to cope with fluctuations in product or service demands with the help of external employment. It further leads to the efficiency by which firms utilize their human capital and in return an enhanced firm performance.

It is hard to conclude which one is the best employment method. Various organization factors and needs of organization determine the suitability of employment method over the other. Largely the performance of an organization is based the combinations of employment modes. Firms can realize benefits from the simultaneous use of both internal and external employment arrangements. As knowledge-based employment increases the ability of firms to effectively perform a variety of tasks, coordination flexibility increases a firm’s ability to adjust the number and/or type of employees at
their disposal. At the same time, when organizational environments are predictable, job-based employment may be an effective employment arrangement. In addition to resource flexibility, unexpected changes in environmental demands might be addressed through coordination flexibility via external labor. The ability to alter the size and skill set of an organization’s workforce would logically facilitate adjustments to changing environmental demands (Gilley and Rasheed, 2000).

viii. **External Environment (Factors):** Organization effectiveness is dependent upon the external environment in which the firm is operating. Osborn and Hunt (1974) argued that environmental complexity is based on a unique conceptual view of organizational environments which distinguishes among broad factors faced by many organizations, conditions unique to a system, and inter-organizational characteristics. Authors viewed environmental complexity as the interaction between environmental risk, dependency, and inter-organizational relationships. Results showed that neither complexity nor risk is associated with organizational effectiveness. Further, both task environment dependency and inter-organizational interaction alone and in combination are positively and significantly correlated with effectiveness. Some of the results may be unique to the sample, but a separation of internal and external conditions alters typical interpretations of external impacts.

Studying external environment is challenging aspect as the environment of an organization is composed of an infinite set of elements outside the boundaries of the organization, other organizations, associations of individuals, and broad forces represent important segments of the organization's environment. To simplify this Osborn (1971) grouped these elements into three categories: macro, aggregation, and task environments. The macro environment is the general cultural context of a specified geographical area and contains those forces recognized to have important influences on organizational characteristics and outputs. The aggregation environment consists of the associations, interest groups, and constituencies operating within a given macro environment.

Neghandi and Reimann (1973), among others suggested that as this segment of the environment becomes more dynamic, the organization must become more receptive to
change and alter its internal structure and operations to maintain and a high survival potential. In the literature, complexity is considered an important, if not the most important, variable in the environment surrounding the organization.

Dependency shares a relationship with systems effectiveness (Osborn and Hunt, 1974). If considered in isolation, environmental dependency has a positive impact on organizational outcomes. If taken in conjunction with risk in general and high risk in particular, the analysis changes and the complexity argument appears applicable. Specifically, the interaction effect among these variables is proposed to have a negative impact on organizational outcomes (Terreberry, 1968). The inter-organizational interaction refers to the ability to develop favorable exchange relationships throughout the process. As most of the important exchanges involve the task environment. For example, Ridgeway (1970) demonstrated that the linkages in the channel of distribution may force the largest units to develop extensive inter-organizational relations to maintain the survival of both the channel and the members of the channel. Interaction has been used as a measure of performance in Yuchtman (1966) approach to effectiveness. The role played by leader in developing an appropriate interaction strategy may be a key to organizational effectiveness. Interaction was hypothesized to be positively related with organization effectiveness (Osborn and Hunt, 1974). The results did not confirm relationship between organization effectiveness and environmental complexity. This could be due to the type of organizations selected for analysis and the range of task environment conditions faced by the units. There may also be other plausible reason. The findings of this study reflect that risk in the larger portions of the environment may be more important than changes in the immediate context of the system. When one attempts to distinguish between organizational conditions and environmental conditions, the importance of risk also seems to change.

The environment provides the organization's resources and creates certain contingencies with which the organization must deal. Environmental scarcity can be defined as the “availability of critical resources” (Pfeffer and Salancik, 1978, p. 68). When environments have an abundance of critical resources, they are said to be munificent. When environments lack critical resources, they are said to be scarce.
Caves (1977) argued that environmental scarcity is inversely related with financial performance, sales growth, joint venture profitability because competition is more intense, capacity utilization is generally lower, and innovation is relatively expensive. Several studies support this assertion between environmental scarcity and firm profitability for single-industry manufacturers. When there is abundance of resources in the organization, organization have fewer resource constraints and are able to pursue divergent goals. Further, research suggests that organizations confronted by scarce environments were more likely to commit illegal acts (Staw and Swajkowski, 1975). On similar lines Judge, Jr. (1994) studied the relationship between environmental scarcity with measures of financial and social performance. Findings suggested that environmental scarcity is related with financial and social performance. In sum, there appears to be an inverse relationship between environmental scarcity and financial performance.

ix. **Organization Hierarchy:** Evan (1977) hypothesized that hierarchy is negatively related with organization effectiveness. Author identified four dimensions of organization hierarchy: - inequality of skills and knowledge, inequality of rewards, inequality of authority, inequality of information distribution. Evan conceptualized a model where hierarchy was negatively related to organization commitment which further was positively related to organization effectiveness. In similar fashion hierarchy was positively related to work which in return was negatively related to organization effectiveness. Flat/tall refers to the number of hierarchical levels of organization. Tall structure has many hierarchical levels must necessarily have a narrower average span of control. Similarly, in a flat structure with few hierarchical levels, there would be wider average span of control. This is why span of control and flat/tall hierarchy are used interchangeably. Flatter structures tend to create a potential for more effective supervision. The issue with the review on Flat/tall hierarchy is that studies are conducted on wide samples and hence cannot be generalized. To add findings are mixed about the relationship between Flat/Tall Hierarchy and Performance (Dalton, Todor, Spendolini, Fielding, Porter, 1980).
x. **Industrial Relations:** Katz, Kochan, and Weber (1985) studied industrial relations system and its relationship with organization effectiveness. Authors used two dimensions of relations system (a) conflict management and (b) individual attitudes and behavior. These dimensions are not exhaustive. However they capture the most important process aspects of collective bargaining-negotiations and contract. It was assumed that variations in how industrial relations systems perform on these two dimensions will be causally related to variations in organizational effectiveness. It was proposed that the less effective the performance of an industrial relations system on these two dimensions, the lower the level of organizational effectiveness. In this research economic performance was considered as the key dimension of organizational effectiveness. It was further argued that quality of working life (QWL) also affect economic performance both directly, and indirectly, through their influence on the performance of industrial relations systems.

Substantive rules and practices governing the organization of work are channel through which industrial relations systems may influence organizational effectiveness. The authors in this study did consider the environmental factors like plant size, volume of work, and social and demographic characteristics of a workforce which could influence both industrial relations and economic performance. Industrial relations system establishes procedures and processes for addressing problems that arise between employees and management. It was expected that effectiveness of formal negotiation and conflict resolution mechanisms would be related to organizational effectiveness.

Secondly, volume of grievances and disciplinary actions indicate either the success or failure of the parties to communicate effectively or to resolve differences during initial stages of formal procedures. Therefore, a large number of grievances or disciplinary actions signal deep-seated problems in the systems of an organization devoted to conflict resolution and problem solving. Hence, this research assumed that volume of grievances and disciplinary actions should be systematically related to other measures of the performance of an industrial relations system. It was hypothesized that indicators of a relatively high degree of conflict between labor and management at the shop floor level will be associated with lower efficiency, poorer
quality, and generally, poorer organizational performance than would accompany a low degree of conflict. Secondly, it was hypothesized that strong interrelationships among the various indicators of conflict intensity will exist and will reflect a latent conflict management construct. Correlation analysis revealed strong evidence of an association between measures of industrial relations and economic performance. Regression analysis, controlling for the influence of environmental factors, provides evidence of a statistically significant association between both rate of disciplinary actions and salaried workers' attitudes, and direct labor efficiency. The regressions also reveal a statistically significant association between participation in suggestion programs and product quality. Moreover, in the regressions, the industrial relations measures as a group explain a large part of the variation in direct labor efficiency and product quality Katz, Kochan and Weber (1985).

**xi. Leadership:** The review of leadership reflects relationship between leadership style and organization effectiveness. Plenty of work has been done on leadership style and organization effectiveness and financial performance. In few studies the impact of leadership was significant on organizational performance. However, few studies could not find any empirical relationship between leadership style and financial performance of an organization. Due to the inconsistency in the studies of organization effectiveness and leadership, leadership is not found be as strongly and directly related with organization effectiveness as it related with variables like job satisfaction and organization climate.

Boerner et al., (2007) highlighted the mediating processes by which transformational leadership influences follower performance and innovation, respectively. Authors hypothesized that transformational leaders enhances follower performance by stimulating organizational citizenship behavior. On the other hand transformation leadership improves follower innovation by triggering controversial discussion on task related issues like debate. Authors further argued that this relationship will not hold true for transactional leadership. The study confirmed the hypothesis in an empirical study from 91 German companies. Transformational Leadership contributes to organizational performance by aligning the objectives and goals of employees and the larger organization (Bass and Riggio, 2006). Transformational leadership was
initially measured with three dimensions: charisma, individualized consideration, and intellectual stimulation; transactional leadership with two: contingent reward and management by exception (Bass, 1985). Studies of the impact of transformational leadership mostly and consistently report positive relationships with employee perceptions of organization effectiveness, leadership effectiveness, organization effectiveness, and employee satisfaction. However, the performance measures used in these types of studies are limited to subjective evaluations. Such measures may be biased due to common method variance and halo effects, or indirect measures of organizational performance. Only a few studies have linked charismatic leadership to direct, financial, and quantitative measures of performance. Meta-analyses show a positive relation between transformational leadership and organizational performance (DeGroot, Kiker, and Cross, 2000). Servant leadership is linked with organizational performance (Melchar and Bosco, 2010).

In a meta-analysis, Fisher and Edwards (1988) show an influence of both consideration and initiating structure on job performance and aspects of organizational climate in a variety of empirical settings. Others report less consistent and conclusive effects of these leadership styles on organization effectiveness criteria. Despite the studies which concluded the relationship between consideration and initiating structure on organization effectiveness, it is difficult to say about the effects both leadership styles have on objective measures, such as financial performance.

In another study by Koene et al., (2002), the effect of different leadership styles on financial measures of organizational performance was examined. Charismatic leadership and consideration were found to be substantial related to climate and financial performance. Initiating structure leadership had no effect on financial results or organizational climate of the organization. Beside this functional dimensions of leadership styles such expectancy, sentiment, and informativeness were found to be associated with organizational effectiveness. Review suggests that expectancy, sentiment, and informativeness lead to higher organization effectiveness. The trustworthiness functional dimension of leadership style did not reveal a close relationship with the overall organizational effectiveness (Boerner et al., 2007).


xii. **Worker Motivation, Commitment and Involvement:** Motivation, attitudes, and behavior of individuals and informal work groups can exert independent effects on organizational performance. The strength and direction of causal relationship is debatable. Theoretical arguments have suggested that individual worker ability, motivation, and participation in job-related decision making affect both organizational effectiveness and individual worker satisfaction. If workers are willing and able to make suggestions and to otherwise participate in a search for ways to improve job performance, and if these efforts endure over time, high levels of motivation, commitment, and participation on the part of individual workers should improve organizational effectiveness and the level of worker satisfaction (Katz, Kochan, Weber, 1995).

xiii. **Organization Design:** Theoretical work on organization effectiveness suggests an association between organizational effectiveness and organizational designs. For example, Galbraith (1974) presents an internal, information-processing view of organization design, in which specific design variations are proposed as determinants of desirable effectiveness outcomes. Prior research has failed to confirm a direct relationship between organizational design and group performance. Practitioners argued that this is because organization-level characteristics first affect group structural properties, which, in turn, impact the conceptualization of a moderated design-performance relationship. Authors summarized socio-metric based research to organizational design and group structural properties and group performance. Organization design was defined on mechanistic-organic continuum. Where mechanistic designs are characterized by highly specific and delimiting job descriptors, highly formalized procedures, lower centrality, lower density, and a larger number of clusters and centralization. Organic designs are defined as characterized by the direct opposites, organic structures tend to exhibit greater connectedness, greater reciprocity. Both these designs are differentially related to the structural properties. The review by Pearce, II and David (1983) clearly suggested that group structural properties are related to group performance. Authors argued that small number and methodological limitations of prior studies notwithstanding, published research provides considerable convergent support for the “design-group structure
Authors hypothesized that groups characterized by high connectedness will exhibit high performance. Since cohesiveness is associated with accurate communication, high satisfaction, and low absenteeism and turnover. Further, groups demonstrating high levels of reciprocity will exhibit high performance. The rationale behind this hypothesis was the positive and significant relationship between reciprocity and group effectiveness. It was argued that groups that display a high degree of centrality will exhibit high performance because centrality reflects consistency between emergent groups and the perceived optimal design of the prescribed networks. The study also hypothesized that groups that display high degrees of horizontal differentiation will exhibit high performance. As horizontally integrated groups are characterized by communication openness, which has been shown to be positively related to group effectiveness. In addition, groups that display high degrees of vertical differentiation will exhibit high performance. Vertically integrated groups are characterized by information accuracy, which has been shown to be positively related to group effectiveness. The study concluded that organizational design influences group performance through its impact on group structural variables. This further is linked to effectiveness of the overall organization.

Specific organization designs may indicate certain concerns related to desired organizational effectiveness outcomes or measures. For example Cameron and Whetten (1981), reporting on a life cycle laboratory simulation study, suggested that organization members shift their organizational effectiveness focus “in systematic ways across organizational life cycle stages” (p. 541). Similar findings have also been found in actual field observations (Quinn and Cameron 1981). Cameron and Whetten (1981) also concluded that the criteria associated with the internal process model of effectiveness to be consistently relevant over all of the organization's development stages. In other words, in a contingent multiple model theory of organizational effectiveness, stability, management of information systems, and organizational decision-making are core of any model. However, the academic management literature suggests that the rational goal and human resource to be core criteria. Pfeffer and Salancik (1978), on the other hand, view organizational effectiveness as “an external standard of how well an organization is meeting
demands of various groups” and “an assessment of the usefulness of what is being done and the resources that are being consumed by the organization” (p. 11). The design implications of such a resource-development argument would call for enhanced environmental scanning, the “loosening” of critical dependencies, structural differentiation to manage the resultant increase in multiple (and possibly conflicting) demands, and a diversified top management arrangement which would promote adaptability by preventing the “institutionalization of power” (p. 268). It is an empirical question whether specific organization designs are more appropriate for certain organizational effectiveness criteria. Empirical support for such relationships would provide the basis for the external validity of the various components of the effectiveness construct, and could address the implied causality between organization designs and effectiveness outcomes.

xiv. Learning Organization: In today’s scenario, it is very critical for organizations to adapt according the changing external environment, to gain competitive advantage and sustain it. To do the organization must overall enhance their ability to learn in order to meet the dynamic demands of various stakeholders. In a recent study, Alipour and Karimi (2011) linked learning organization and organization performance. Learning organization overall perform better. Further, the relations between learning organization and organization performance are mediated by innovation and transfer of knowledge.

xv. Organization Environment: Employees working in the organization are the channels through which they provide a very potent competitive edge to the organizations. Therefore, one of the differentiating factor is the kind of organization environment that is being nurtured in its work set up since it affect the employees who are working in the organization. The organization environment is the totality of conditions in the organization which serve to stimulate the behavior of employees working in it.

Bhardwaj (2001) conducted a study to measure the relationship between organization environment and organization effectiveness. The relationship between the organization environment and its effectiveness was analyzed using the data collected from six
organizations. Firstly, the differences between the two groups of organizations (i.e.) effective and not so effective ones on the eleven dimensions of organization environment were examined. The chosen eleven key dimensions were performance standard, communication flow, reward system, responsibility, conflict resolution, organization structure, motivation level, decision making process, support system, warmth, and identity problem. The study also examined the differences within each group on these dimensions. The study indicated that there were only three dimensions of the organization environment out of eleven which had a significant role to play in determining its effectiveness. Further, the effective group was more sensitive to conflict resolution, support system, and warmth dimensions of the organization environment. Only one dimension mattered to the not so effective group. Some dimensions influenced the organization effectiveness more as compared to other dimensions. The attempt was to determine the impact of the organization environment on the strategic dimensions of its effectiveness like its annual performance report and market reputation.

Selvam (1990) studied the role of organization environment in a work set up. According to him, organization environment is simply the ‘hotness', ‘warmth', or ‘coldness', that is experienced by its members. There may be real or perceived hotness, warmth, or coldness. A hot environment whether perceived or real hinders organizational relations which makes them more mechanic. On the contrary, cold environment does not allow organizational relations to grow. A cold environment can only preserve and cannot help growth. The organic aspect of organizations, therefore, does not gain growth and vitality by a cold organizational environment. It is the warm organization environment that nurtures growth and development of organizations. Therefore, the effective organization environment would have a high degree of warmth.

xvi. Corporate Social Responsibility: The right position of the wealth of organization creates organization effectiveness. Corporate social responsibility (CSR) benefit the organization in the form of increased sales, image building and improved employee morale, and improved organization structure (Peloza, 2008). Olowokudejo, Aduloju, and Oke (2011) found that both profitability and sales is positively related to business ethics, consumer affairs, and environmental affairs. Further, financial
strength is positively related to business ethics and consumer affairs; operating efficiency is positively related to consumer affairs; performance stability is positively related to business ethics and consumer affairs and public image is positively related to consumer affairs. Overall, author concluded that CSR determine OE.

**xvii. Life Cycle stage:** Life cycle in which the firm is operating plays a critical role in determining the objective as well as the subjective evaluation of organization effectiveness. It has been argued that initial imprinting establishes determine the degree and the direction of future development. Furthermore, several authors have proposed that, by examining the development of organizations through life-cycle stages. It may be possible to predict the major problems, decisions, and opportunities that an organization might encounter (Cameron and Whetten, 1981). Cameron and Whetten (1981) argued that most of the literature on organizations is based on static assessments of mature organizations. There is limited research about the evolution of structures and processes or the patterns of learning and decision-making that occur as organizations attempt to move from creation to maturity.

Quinn and Cameron (1980) identified four common stages of development models. Organizations in each stage are characterized by a major combination of dimensions. Organizations begin in a stage which is labeled “creativity and entrepreneurship,” in which acquiring resources, creating an ideology, and forming an ecological niche are emphasized. The second stage, known as “collective” stage, characterized by high commitment and cohesion among members, face-to-face communication and informal structures, long hours of dedicated service to the organization, and an emerging sense of collectivity and mission. The organizational focus is on internal processes and practices, rather than on external contingencies. The third stage, “formalization and control,” where procedures and policies become institutionalized, goals are formalized, conservatism predominates, and flexibility is reduced. The emphasis is on efficiency of production. The fourth stage emphasizes “elaboration of structure” where decentralization, domain expansion, and renewed adaptability occur, and new multipurpose subsystems are established. Quinn and Cameron (1980) point out that these four stages are probably applicable only to the early stages of development of organizations. After the “elaboration of structure” stage, development is more likely to occur metamorphically than sequentially. Shifting criteria of effectiveness over life
cycle suggests that participants’ perceptions and interpretations of organizational effectiveness may vary. In order to study and discover as to how these perceptions shift, salient features of organizational effectiveness were identified. Cameron (1981) identified the organization’s domain of activity as one important organizing variable. One useful typology of domains is Thompson’s (1967) input activities, technological and transformation processes, and output and production activities. These domains of activity appear to correspond with commonly used criteria of organizational effectiveness (Cameron, 1981).

Cameron and Whetten (1981) in their work confirmed the hypothesis and suggested that the simulated organizations developed through stages similar to those experienced by real organizations and variation in the organization effectiveness. Ratings of the importance of effectiveness in the domain of internal processes remained constantly high throughout all stages of development. However, effectiveness was most important to those participants responsible for the coordination of internal processes (i.e., managers). Further, results indicated strong negative correlations between perceptions of uncertainty, complexity, and turbulence in the immediate environment and perceptions of the importance of the different levels of effectiveness. Strong negative relationships exist between the ratings of the importance of organizational effectiveness and the ratings of uncertainty. Moderately to strongly positive relationships exist between these three variables and the importance of individual, departmental, and divisional effectiveness. The positive relationship between uncertainty, complexity, and turbulence, on the one hand, and the three lower levels of analysis on the other, suggests that when individuals perceive their immediate environment as uncertain, complex, or turbulent, they emphasize achieving effectiveness on less aggregated levels of the organization. Authors also used social factors as one of the explanation for the findings. These results and the proposed explanations need to be studied in real organizations to make any conclusions about the nature of organizational effectiveness. Since there is not much research available on organization life cycle and effectiveness, it is difficult to conclude and generalize the findings. This area needs further investigation in real organizational settings. Secondly, the size, structure, and strategy of an organization might to variation in the impact of life cycle of a firm on organization effectiveness.
xviii. **Employee Participation:** Participation of various kinds has been studied to understand the productivity of an organization. Rosenberg and Rosenstein (1980) studied the effects of worker participation on productivity in a unionized foundry. The authors analyzed detailed records of 262 meetings of workers, supervisors, and managers that were held from 1969 to 1975 to discuss means of increasing productivity. An index of participative activity, measuring factors such as the frequency of meetings, the relevance of the subjects discussed, and the number of interchanges in a meeting, was compared with an index of productivity through stepwise multiple regression and other techniques. The authors conclude that an increase in the level of participative activity was associated with an increase in productivity and was more important in this respect than a group bonus plan tied to productivity. Similarly, a study by Lau and Lim (2002) linked participation and productivity.

xix. **Quality Practices:** The quality practices started in Japan around 1950, successful development of these quality practices followed by acknowledgement of the same lead to its expansion in other countries. Quality practices like implementation TQM has been found to increase the business excellence (Eriksson and Hansson, 2003). Eriksson and Garvare (2005) conducted a research with the objective to describe the activities initiated based on participation in a quality award process and its effects on performance using a case study method. The findings suggested that areas of customer orientation, process orientation, continuous improvement, committed leadership, and participation improved due to the initiated activities. This further improved the organization performance. Eriksson (2004) also demonstrates that some successful organizations, while considering the improvement work, show major benefits from the process. For example, a large majority of the organizations studied consider the process orientation, customer orientation, and improvement work to have been improved as a result of the participation in the quality award process. Sila and Ebrahimpour (2002) state that in particular, it has not been fully illuminated which activities are performed in order to strengthen the organizational performance based on a participation in a quality award process. For an example TQM practice intensity explains a significant proportion of variance in organizational performance. On the whole, the organizations are initiating many
activities, both systematic and integrated, based on their participation in the quality award process, which are intended to improve the performance. Eriksson, Johansson, and Wiklund (2003) emphasized the benefits of participating in a quality award process for greater focus on improvement work (Eriksson, 2004). In addition, participation in a quality award process is also perceived to have an impact on committed leadership and participation by everyone.

Ownership: The similarities and differences between public and private organizations have been debated for a long time. Some practitioners emphasize the similarities between public and private organizations and, therefore suggest the desirability of generic approaches to organization and management.

Benn and Gaus (1983) stated that the concepts of public and private can be defined on the basis of at least three dimensions: interest (personal or communal), access (whether accessible to the public), and agency (whether an entity acts on behalf of private interests or the public at large). Bozeman (1987) argues for a concept of publicness, a multidimensional property on which an organization can be more or less public on different dimensions. According to this perspective, an organization might be more public on one dimension (for example, high levels of political oversight) and less public on another (for example, low reliance on government funding and high dependence on market sales of outputs). Despite complications in defining these sectors, review indicates the core dimensions of these sectors. Wamsley and Zald (1973) defined public organizations as those owned and funded by government and private organizations as those owned privately and funded primarily through market sales or private donations. They treat organizations that overlap on these two dimensions—for example, those owned by government but funded through sales or user charges, or those owned privately but funded primarily by government contracts—as hybrid categories. Other analysts tend to concur, treating typical government agencies as distinguishable from most market-oriented private firms (Bozeman, 1987; Perry and Rainey, 1988). Moreover, various theorists assert the theoretical significance of a public-private distinction. For example, economists developing property-rights theories posit that private owners’ rights to the economic returns of a private firm
create much stronger incentives to efficient use of resources than in public organizations, where no such rights exist (Alchian, 1972; Davies, 1971, 1977). Other economic theorists attach great significance to public organizations’ production of public goods (Breton and Wintrobe, 1982) or the absence of economic markets for their outputs. These economists and numerous political scientists have further proposed such basic distinctions resulting in a number of distinctive properties of public organizations. Economists have posited such theories much more energetically than they have tested them empirically, but numerous disparate studies by organization theorists and political scientists have found that the public-private distinction shows interesting relations to important variables (Rainey, 1991). As a result, some researchers continue to argue that the distinction is theoretically justified and parsimonious (Mascarenhas, 1989).

Lan and Rainey (1992) conducted a research on public, private, and hybrid organizations. This study highlighted assertions about differences among those types of organizations. The results provided evidence about some of the most frequent public managers perceives more emphasis on rules, channels, and procedures, and more constraints on authority. Contrary to numerous assertions in the literature, however, the public managers perceive greater clarity of organizational goals and greater effectiveness in achieving those goals. One interpretation of these perceptions about goals holds that public managers say their goals are clear because they choose rule adherence as their main goal. The results indicated that perceived goal clarity was strongly related to perceived organizational effectiveness (goal effectiveness) among the three groups of managers. Goal measurability and instrumentality of performance evaluation were also positively related to goal effectiveness, but not so strongly. Authors also examined these relations within the three categories of managers (private, public and hybrid) and found that the pattern of relations was similar within each group. The differences among groups suggest that these differences neither led to a difference in perceived goal effectiveness nor provided an interpretation rivaling or contradicting any other conclusions drawn in the study. This indicates that public managers associate more rules and procedures with higher goal clarity and
organizational effectiveness. Results showed for all the managers, the group of questions about rules and procedures did not show a strong relation to perceived organizational effectiveness. This provides evidence against the argument that public managers focus on rules and procedures as proxies for goals and effectiveness criteria. Similarly, results showed a stronger relation between proper channels and the three goal variables for the private managers than for the public managers. Unnecessary rules showed no strong relation to the goal perceptions of either group. Perceptions of procedures to follow are significantly related to the goal perceptions of both groups, but more significantly for the private managers. The data for these three variables do not support the interpretation that public managers are more likely than private sector managers to focus on procedures, rules, and hierarchical channels as proxies for goals and effectiveness criteria. The results for rule violation checks provide some support for the argument that some public managers may use rule compliance as a proxy for organizational goals. Responses on this question show statistically significant correlations to goal clarity and goal measurability for public managers but not for private managers.

xxi. Organization Size: Size of the organization is another variable which been linked to organization performance and effectiveness. However, the relationship is simple to specify and examine. Review suggests that organization size have both advantages and disadvantages for the organization. Advantages include greater physical capacity to meet demand, wider depth and range of personnel, broader array of suppliers and buyers, higher levels of slack resources, and economies of scale. As a result of these factors, larger organizations may have more strategic options at their disposal and be less dependent on their environment for their survival and prosperity. This further enhances an organization ability to be more productive and successful. Moreover, organization size has been found to influence the attitudes of executives. Employees take pride in being associated with bigger and larger organization. While, the literature is not conclusive regarding the relationship between organization size and financial performance (Dalton et al., 1980). On the other hand more diffusion of responsibility which may translate into heightened concern for financial goals at the
expense of social goals. Alternatively, it may be that larger organizations with greater absolute revenues would often find the relative costs of social irresponsibility less burdensome than their smaller counterparts (Jones, 1986). William Q. Judge, Jr (1994) studied the relationship between organization size, with measures of financial and social performance. The findings suggested the organization size is positively related with financial and social performance. Size of an organization is positively related with performance (Preston and Sapienza, 1990; Oswald and Jahera, 1991).

**xxii. Competitive Strategy:** The strategies which an organization employs to achieve its goals and targets bound to influence organization effectiveness. Within the strategic management literature, a distinction is commonly drawn between cost leadership strategies and differentiation strategies (Porter, 1980). A number of authors have argued that firms pursuing differentiation strategies should gain greater benefits from the use of HRM systems than firms pursuing cost leadership strategies (Guthrie, Spell, and Nyamori, 2002). These authors have argued that firms attempting to differentiate their products and services on the basis of quality or innovation require a highly skilled and motivated workforce. Employees working in these firms need to be able to identify and solve problems before they affect production and need to be able to interact with each other in order to exchange information and ideas. These employees need to be more competent, more adaptable, and show higher levels of personal initiative than their competitors. Firms using differentiation strategies, therefore, stand to benefit from providing enriched team-based jobs and investing in comprehensive selection, induction, training, performance appraisal, and compensation systems. Firms pursuing a strategy based on cost leadership, on the other hand, tend to introduce systems, processes, and technologies that maximize direct managerial control over employee behavior, and minimize any opportunities for individual differences in knowledge, skill, and motivation to affect output. In this way, cost leaders are able to maintain high levels of output while minimizing the input costs associated with labor. Research also suggest that competitive strategy moderate the relationship between HRM systems and productivity (Neal, West, and Patterson, 2005).
The literature suggests that the appropriate combinations of functional importance (i.e., through resource allocations, type of activities) for high levels of company performance are affected by the type of grand strategy pursued by the firm and the firm's industry type. Hitt, Ireland, and Stadter (1982) studied this relationship and examined 93 industrial firms. Data on functional importance, grand strategy, and industry type were obtained from top executives while financial data were collected from the data files. The results showed that both grand strategy and industry type moderated the relationship between functional importance and company performance. Functions like finance, marketing, and general administration are crucial to the success of firms following external growth strategies. Similarly functions like engineering research and development, and production are the most important functions for internal growth strategies, marketing the critical one for stability strategies and finance for retrenchment strategies. The review indicates the strategic significance of functional areas and company performance is related (Hitt, Ireland, and Stadter, 1982).

**xxiii. Administrative Intensity:** Dalton, Todor, Spendolini, Fielding, and Porter (1980) defined administrative intensity as the number of administrative personnel managers, professionals, and clerical workers divided by the number of production workers like operatives, and laborers. Broadly there is positive relationship between administrative intensity and performance. However, there are studies which report inverse relationship. The relationship between administrative intensity and performance remains undetermined.

**xxiv. Specialization/Complexity:** Specialization is defined as the number of different occupational titles or different functional activities pursued within an organization. Specialization and complexity are similar concepts hence treated together. Research is very limited in this area where performance is dependent variable. Major studies could not find any significant relationship between specialization/complexity and performance. Several other investigations reported positive associations. There is a debate among practitioners that high specialization may create conflicts within the organization. Once again there is no empirical data to support this and relationship
between specialization and performance has not been clearly demonstrated (Dalton, Todor, Spendolini, Fielding, and Porter, 1980).

**xxv. Formalization/Standardization:** Formalization refers to the extent to which appropriate behavior is described in writing. Standardization is closely aligned to formalization and it prescribes or limits behavior and procedures of members of the organization. It is argued that low level of formalization and standardization leads to role ambiguity which could affect employee’s attitude and performance. Contrary to this formalization and standardization may limit job scope, resulting in boredom, alienation, job dissatisfaction, absenteeism, turnover, and low output. Therefore, review suggests a curvilinear relationship wherein there may be an optimal level of formalization/standardization that reduces role ambiguity yet maintains reasonable levels of job scope. Empirical research conducted at the subunit level of analysis neither supports nor rejects this hypothesis (Dalton, Todor, Spendolini, Fielding, and Porter, 1980).

**xxvi. Centralization:** Centralization involves the locus of authority to make decisions in organizations. It suggests whether power to make decisions is exercised by one or relatively few individuals, the structure is considered centralized. Degree of centralization, then, refers to the dispersion of decision-making authority throughout the organization. At the subunit level of analysis, both negative and zero associations have been reported in literature. In both subunit and organization level analysis, the evidence supports a conclusion that centralization is negatively associated with performance. Such findings have attacked for not using objective measures of performance. Glisson and Martin (1980) studied the relationship of productivity and efficiency to the organization’s structure, size, and age and indicated that a highly centralized authority structure is the most powerful direct determinant of productivity and efficiency. Conclusions focused on the pervasive conflict between quality and quantity of services delivered and the age of the organization.

**xxvii. Human Resource Management Practices:** Human resource management practices like selection, training and development, and motivational programmes have a positive impact on organizational performance, information sharing, and
participation policies impact operational performance, financial performance, productivity, and general organizational performance (Shieh, 2011). There is a body of research on work life programmes. Work-life program involved various practices which assist employees to balance their personal and professional life. Most of these practices focus on helping the employee to deal with family obligations. Practices like day care of children or emergency day care, flexibility in work hours, and parental leaves. Work-life programs generate performance benefits by enhancing recruitment and reducing absenteeism and turnover. Conflicts between job demands and family life reduce the efforts on job from employee’s end. It reduces the stress of employee and complete movement of an employee from workplace. It provides an edge to employer to hire the quality human resource.

Additionally, providing flexibility for employees can help organizations attain flexible structures which organization needs to respond to variations in their environments. Review indicates that work-life programs are thought to be one initiative that may encourage workers to put forth extra effort beyond the minimum required to retain the job. Work-life program serve as an inducement to remain with the organization (Kossek and Ozeki, 1998). Especially for employees who value assistance with combining work and family life. Work-Life Programmes influence firm productivity. Konrad and Mangel (2000) examined the adoption of work-life programs and the impact of work-life programs on firm productivity. This research was conducted on human resource executives in a national sample of 658 organizations which provided survey data on firm characteristics and work-life programs. In these 658 organizations, the percentage of professionals and the percentage of women employed were positively related to the development of more extensive work-life programs. Productivity data were obtained from CD disclosure for 195 public, for-profit firms. Significant interaction effects indicated that in these 195 firms work-life programs had a stronger positive impact on productivity when women comprised a larger percentage of the workforce and when a higher percentage of professionals were employed.

In recent times tacit signal method has come up as an effective electronic human resource management (e-HRM) system. This method facilitates in utilization of tacit knowledge of the organization, supports achievement of organizational goals by
making critical information available to management. It is believed that it enhances the utilization of high competences. It is important for the individuals and group to contribute their knowledge for the benefit of the organization.

Researchers have been tracking the relationship between HR systems and performance. Review indicates that HR systems facilitate the accomplishment of a firm’s strategic goals. There is positive relationship between HR practices and corporate financial performance (Huselid, 1995, 1996; Delery and Doty, 1996; Delaney and Huselid, 1996; Huselid, Jackson, and Schuler, 1997; Mac Duffie, 1995). Ostroff (2000) found support for a relationship between HR practices and performance. Moreover, author also found that the relationship between clusters of HR practices and performance depended upon the business strategy of the firm. Lam and White (1998) studied firms within 14 manufacturing industries and found that firms’ HR orientations (measured by the effective recruitment of employees, above average compensation, and extensive training and development) was related to return on assets, growth in sales, and growth in stock values. Using a sample of banks, Richard and Johnson (2001) examined the impact of strategic HRM effectiveness (ratings of how effectively a variety of HR practices were performed) on a number of performance variables. They found that strategic HRM effectiveness was directly related to employee turnover and the relationship between this measure and return on equity was stronger among banks with higher capital intensity (greater investments in branches). d’Arcimoles (1997) found that investments in training had both an immediate and enduring effect on performance, while wages were unrelated. In a study of 428 companies in Finland, Lahteenmaki, Storey, and Vanhala (1998) found that aspects of HR practices were rarely related to company performance, but were more strongly related to future performance expectations of respondents. The relationship between HR practices and performance is not limited to private organizations only. Harel and Tzafrir (1999) found that among public and private organizations within Israel, HR practices were related to perceived organizational and market performance. Neal, West, and Patterson (2005) found that HRM and productivity is contingent on organization climate. Results indicated that employee perceptions of organizational climate moderate
the relationship between the use of a human-capital-enhancing HRM system and productivity and found this interaction to be negative.

As predicted by the limited capacity hypothesis, the relationship between subject matter experts’ ratings of HRM and subsequent productivity is stronger for firms with a poor climate. According to the limited capacity hypothesis, climate and HRM both influence employee motivation. For this reason, they may compensate for each other. The correlation between HRM and productivity should be relatively weak in firms that have a positive climate because the employees in these firms should be working at full capacity. A related explanation is that the negative interaction may reflect a ceiling effect. The relationship between the use of a human-capital-enhancing HRM system and future productivity may have been weaker for firms with a favorable climate because these firms were already performing well, and there was less scope for improvements in productivity. HR practices influence customer satisfaction (an OE indicator) through organizational climate (Rogga, Schmidt, Shulla, and Schmitt, 2001).

A meta-analysis conducted by Gmur and Schwerdt (2005) included samples from the US, Europe, and East Asia and found an average effect of training on organizational success. Training has been found to be positively related with organization effectiveness. However, this relationship was moderated by training utility rather than training hours (W. van Eerde, Tanga, and Talbot, 2008). Gong, Law, and Chang (2009) argued that HR practices affect firm performance through committed employees. Authors tested dual HR model and found out that performance-oriented HR subsystem was positively related to firm performance. The relationship was mediated by affective commitment. In contrast, the maintenance-oriented HR subsystem had no significant relationship with firm performance. It had a significant and positive relationship with continuance commitment but not with affective commitment. The challenge in studying the link between performance and HRM in most of the studies is the ambiguities associated with measuring construct like HRM.

**xxviii. Social Capital:** Social capital assumed to be positively related to organizational effectiveness and to play a central role in reducing organizational transaction costs. It also facilitates coordinated action to achieve desired goals,
justifies organizational commitment (Watson and Papamarcos, 2002), and results in a significant positive impact on product innovation. Fu (2004) argued that social capital cannot exist without a reasonable level of trust among people working in organization. So trust is a precondition of healthy social capital. On the other hand, the trust-based connections that characterize social capital lead to the development of increased trust as people work with one another over time. Consequently, there will be less voluntary turnover (Dess and Shaw, 2001 and more organizational transparency (Cohen and Prusak, 2001).

The organizational effectiveness literature suggests that trust and social capital are mutually reinforcing. Social capital generates trusting relationships that in turn produce social capital (Adler and Kwon, 2000). The positive returns from trust and social capital within an organizational context is partly attributed to the incorporation of the role of personal relations in establishing trust between parties. Personal trust makes information exchange easier, facilitates a quicker adaptation to the environment, and contributes positively to cooperation. Trust is required to maintain the conditions of expanded choices and opportunities. Literature illustrate that the positive returns from organizational trust and social capital are process-based instead of outcome-based. In most circumstances the outcomes of social capital are measured indirectly by “variables” which may appear to have some connections to it. However, if the variable is not well fit, the result will mislead rather than inform (Field, 2003).

xxix. **Management Values:** Literature suggest that top executive’s value systems play a major role in the critical choices they make and therefore, have a strong influence on their organization’s performance. Value system of an organization is an essential force. The course of an organization is determined by the its philosophy, policy, and values with respect to employees, customers, the public, unions, suppliers, and others. Negandhi and Prasad (1971) provide one of the earliest attempts to examine empirically the relationship between the public values of an organization’s executives and its structure and performance. They found that management philosophy variable was very strongly associated with a number of organizational variables. However, no study could establish the direction of causality. The graphic illustration of correlates of organization effectiveness is presented in figure 2.3.
Chapter 2: Review of Literature

Figure 2.3: Correlates of Organization Effectiveness
Reimann (1975) in a study found that the public values of management were found to be considerably stronger predictors of organizational effectiveness (or competence, as conceptualized in this study) than either situational variables like size, dependence, and rate of technical change, or structural variables like centralization, specialization, and formalization. Organizational effectiveness was based upon the degree to which they were satisfied with the relative performance of their organizations in terms of achieving a set of typical goals (profit and sales growth, product quality, employee satisfaction, etc.), and in terms of their own job satisfaction (executive turnover). Research concluded that the more top executives valued their own organization, the more they might tend to value its various publics. The findings suggest that the public values of the top decision makers may well be strongly related to organization effectiveness in objective terms like profitability. Canonical correlation analysis of manufacturing firm data demonstrated that organizational competence (executive ratings of organizational performance and executive turnover) was not strongly related to situational variables like organization size, structure, and technology. Instead, competence was related primarily to management's values regarding the firm's publics, such as customers, suppliers, employers, and government. However, as mentioned previously, cross-sectional studies cannot establish the causal direction of the relationships discovered. The empirical evidence tends to support the interpretation that the public values of the organization’s elite decision makers can exert considerable influence on organizational performance, and not the reverse.

On the basis of exhaustive review gaps were identified and methodology was laid out. The coming chapter will present the instrument development methods, research design, hypothesis statements, sample profile, and statistical methods used.