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A Sensemaking Model of Employee Evaluation of Psychological Contract Fulfillment

When and How Do Employees Respond to Change?

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There is growing attention in the academic literature and popular press regarding workplace transitions. Change is frequently mentioned as a defining quality of the new workplace and, in turn, employment relationships. A framework is presented that describes employee evaluation of the employment relationship in the context of change. Specifically, the authors apply psychological contract and sensemaking theories to address two questions: What contextual factors shape employee perceptions of change in psychological contract fulfillment? and What cognitive factors shape employee responses to perceptions of deficiency in psychological contract fulfillment? The authors’ aim is to enhance understanding of employment relationships in the context of organizational change and stimulate empirical research that treats change context as a substantive variable. The authors discuss theoretical and practical implications of the framework. Recommendations for practitioners engaged in organizational change are offered.

**Keywords:** Psychological contract fulfillment; context of change; sensemaking theory

A recurrent theme in the employment relationship literature is the attention given to the “changing world of employment” (Herriot & Pemberton, 1996; Kessler, Coyle-Shapiro, & Purcell, 1999; McLean Parks & Kidder, 1994). Psychological contract theory has increasingly been used as a framework for understanding employment relationships in this period of workplace transitions (Anderson & Schalk, 1998; Shore et al., 2004). The psychological contract, defined as “individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization” (Rousseau, 1995, p. 9), has been shown
to affect key organizational outcomes. Employee perceptions that the organization is providing what it promised, referred to as *psychological contract fulfillment* (PC fulfillment), have been related to job satisfaction (e.g., Turnley & Feldman, 2000), in-role performance (e.g., Dabos & Rousseau, 2004), and organizational citizenship behaviors (e.g., Hui, Lee, & Rousseau, 2004). On the other hand, employee perceptions of the extent to which the organization has failed to fulfill its obligations, referred to as *psychological contract breach* (PC breach), has been related to lowered job satisfaction and commitment and increased turnover intentions (Zhao, Wayne, Glibkowski, & Bravo, 2007).

Several researchers have noted changes in organizational contexts attributable in large part to major transformations in the workplace (Ghoshal & Bartlett, 2000). The introduction of programs such as downsizing and outsourcing and the growing use of contingent work arrangements are said to result in employee perceptions that the organization is failing to meet its obligations to employees (Beaumont & Harris, 2002; Ghoshal & Bartlett, 2000). However, empirical evidence supporting the anecdotal argument is scant and mixed. In a study by Kessler et al. (1999), employees reported positive changes to the psychological contract after the employing organization outsourced some of its services to another agency. Wanberg and Banas (2000) found that employees held a positive view of a change program involving reorganization. Beaumont and Harris (2002) found no support for the hypothesis that downsizing is related to changes in the psychological contract. Finally, Schalk, Heinen, and Freese (2001) found no significant changes in the evaluation of the psychological contract in a merger of two organizations, although employees’ commitment to the organization decreased.

These inconclusive findings highlight the challenges of examining change and understanding its role in shaping employment relationships. As Shore et al. (2004) note, context is not homogeneous and thus can differ substantially from one organization to another and from one individual to another. For instance, an organization’s decision to acquire another firm may be viewed with consternation by employees of an organization that has not engaged in acquisition efforts in the past. On the other hand, employees working in an organization that has undergone a number of acquisitions may consider it routine. Despite the challenges of examining context, it is important to understand whether and how context is redefining employment relationships in today’s workplace (Hiltrop, 1995; Shore et al., 2004). Research is needed that sheds light on how organizational change programs are understood by the organization’s most valuable resource: its employees.

We present a model of employee evaluation of the psychological contract fulfillment in the context of organizational change. Evaluation of psychological contract fulfillment refers to the sensemaking process by the employee to ascertain the extent to which there has been a revision in what the employer provides to the employee. It includes the decision-making process by the employee regarding how to respond to these revisions, for example, by changing the extent to which
employees fulfill their obligations to their employer. The model incorporates sensemaking theory as a theoretical framework for examining employee evaluation of PC fulfillment in the context of change. A key application of sensemaking theory is describing and understanding organizational life from the employee perspective (Weick, 1995). This resonates with the idea of the psychological contract as a subjective perceptual construct that resides in the "eyes of the beholder" (Robinson & Rousseau, 1994, p. 246).

The aim of our model is twofold. One purpose is to examine the role of context of change as a substantive variable in psychological contract research. Context, by definition, is the setting or what surrounds the obligations (Shore et al., 2004). If the context undergoes change, it is likely to influence employee perceptions of changes in what the employer provides to the employee. Context of change is defined as any empirical observation of difference in form, quality, or state over time in an organizational entity, where the entity may be an individual’s job, a work group, an organizational strategy, a program, a product, or the overall organization (Van de Ven & Poole, 1995). Thus, a new CEO appointment, a new human resources policy related to telecommuting, a restructuring of a group or an entire organization, and a bankruptcy filing by an organization are all examples of contexts of organizational change in that each represents a difference or a shift from an existing state. The current study explores theoretically derived factors associated with change context and their effect on employee beliefs regarding changes in the fulfillment of the psychological contract.

A second purpose of the model is to examine the cognitive factors that shape how employees make sense of the changing employment relationship. A focus on the psychological rather than the contract part of the psychological contract allows examination of factors that are salient when employees perceive that the employment relationship is not “business as usual.” When the employment relationship changes such that it is unfavorable to the employee, the employee is more likely to engage in systematic cognitive processing (Louis & Sutton, 1991) compared to when the outcome is favorable. Thus, some of the questions that an employee may seek to answer are “Why did this occur?” and “How does it affect me?” Answers to these questions will influence how employees respond to unfavorable changes in the employee–organization exchange relationship.

Several employment relationship researchers have theorized and empirically examined internal change or how the terms of exchange between the parties evolves and changes over time (Robinson, 1996; Rousseau, 1995; Schalk & Roe, 2007). However, external change or change in the context has been alluded to by many psychological contract researchers but seldom examined empirically. The organizational change literature, on the other hand, is replete with research examining employee responses to organizational change (e.g., resistance to change; Labianca, Gray, & Brass, 2000), openness to change (Wanberg & Banas, 2000), and change readiness (Wallinga, 2008). In a similar vein, a small but an important body of
research examines organizational change from a schematic perspective (e.g., Lau & Woodman, 1995). This profusion of theoretical as well as empirical research underscores the need for a pluralistic approach to understanding the change context such that it is theoretically meaningful and practically relevant. Thus, a primary contribution of our study is to provide an interdisciplinary examination of the employment relationship in the context of organizational relationship research that enables integration of knowledge from the areas of psychological contracts, organizational change, and sensemaking.

Second, identifying the contextual factors that are salient during organizational change would benefit future research on the effects of workplace transitions on employment relationships. A review by Pettigrew, Woodman, and Cameron (2001) highlights the acontextual nature of organizational change research that hinders efforts to integrate context and change. Furthermore, researchers have been grappling with how to define and frame change in a way that facilitates research that is meaningful and practical (Golembiewski, Billingsley, & Yeager, 1975; Van de Ven & Poole, 1995). Our study contributes to this line of work by providing a framework of organizational change that is meaningful when considering the employee perspective. Using sensemaking theory, we identify salient characteristics associated with a change event that are viewed as triggers signaling to the employee the changing nature of the psychological contract. That is, we propose that some, but certainly not all, organizational decisions related to change will affect employee perceptions of changes in the employment relationship.

Finally, focusing on employee cognition is an important contribution because it identifies salient factors that are likely to shape employee responses when an employee perceives that an organizational change has had a negative impact on the psychological contract. Bartunek and Moch (1987) highlight the efficacy of a cognitive sensemaking framework in clarifying and solving problems associated with organizational change interventions. Barthélemy (2003) states that one of the main reasons contributing to failed organizational change programs, such as outsourcing, is overlooking the employee viewpoint. Our framework provides insight into employee cognitions that are salient in the change context and, thus, helps organizations to better understand the employee perspective as well as to anticipate employee responses.

**Model Development**

The theoretical framework of the employee evaluation of PC fulfillment and response patterns during organizational change is illustrated in Figure 1. It has three separate, yet interrelated, components. The contextual component of the model focuses on contextual factors that are related to employee perceptions of changes in the extent to which the organization is fulfilling its obligations to the employee.
The cognitive component of the model focuses on the role of salient cognitions that shape employee sensemaking when there is a perception of change in PC fulfillment. Finally, the behavioral component of the model focuses on employee responses to changes in PC fulfillment by the employer. We begin by defining the construct of psychological contract.

**Psychological Contract**

The study of the psychological contract between employee and employer is characterized by a focus on individual beliefs that are examined from the employee perspective, perceptual in nature, concerned with mutuality of the obligations, and dynamic and evolving across the duration of the employment relationship (Anderson & Schalk, 1998). “All contracts are subject to change” (Rousseau, 1995, p. 142). According to Blau (1964), individuals strive to maintain a balance in what is received and provided in a relationship. When there is an imbalance because one party increases or decreases its contributions, the other party seeks to restore the balance by changing one’s contributions (Gouldner, 1960). Empirical research has found evidence that this reciprocal response pattern guides favorable as well as
unfavorable exchanges between the employee and the organization (Coyle-Shapiro & Kessler, 2002; Dabos & Rousseau, 2004; Zhao et al., 2007).

The exchange relationships are embedded in a context. When the context undergoes change, it is likely to lead to employee perceptions that the employment relationship is changing as well (McLean Parks & Kidder, 1994). Change in the exchange relationship attributable to change in the context may be deemed favorable or unfavorable by the employee. The model presented here examines employee perceptions of unfavorable change, referred to here as deficiency in PC fulfillment, as well as favorable change, referred to here as excess in PC fulfillment. Deficiency in PC fulfillment is defined as employee belief that the organization is providing less than it was before the change event, and excess in PC fulfillment refers to employee belief that the organization is providing more than it was before the change event.

**Contextual Component**

Psychological contracts serve two key functions: defining the employment relationship and managing mutual expectations (Hiltrop, 1995). The context is a critical component related to both of these functions. The subjective, informal nature of the psychological contract makes it virtually impossible to spell out all of the mutual obligations (Rousseau, 2001). Employees “fill in the blanks” regarding what one can expect to receive in terms of, say, benefits, promotion, or career opportunities on the basis of environmental cues and signals, such as peer comparison. As the context undergoes change, managing these mutual expectations is even more challenging, as employees strive to make sense of what is being provided by the organization and how it is different from what used to be provided before the change.

According to Louis and Sutton (1991), individuals typically rely on “habits of mind” to guide interpretation of any event. However, a change in the environment may lead an individual to abandon habitual behavior and initiate a process to make sense of the change (Weick, 1995). These instances of change have been described variedly as “shocks,” “occasions of sensemaking” (Weick, 1995, p. 83), or “triggers” (Griffith, 1999). The triggers refer to conditions that call for conscious attention to the context and its effect on the psychological contract (Conway & Briner, 2005; Rousseau, 1995). These conditions signal a shift from the automatic processing that governs habitual behavior to conscious attention to the context.1 Louis and Sutton (1991) identity three features of context that together or alone serve as triggers for sensemaking: (a) novelty, that is, the extent to which an event is perceived as unusual, out of the ordinary, unfamiliar, or previously unknown; (b) discrepancy, that is, the extent to which there is deviation between what is the norm and what is reality, or an unexpected failure or disruption; and, finally, (c) deliberate initiative, that is, the extent to which an event calls for paying close attention to the event either in response to an internal (self-driven) or external request (for example, when specifically asked to consider an issue).
Organizational justice researchers have found considerable support for another contextual factor, uncertainty regarding an event, as a trigger for sensemaking. According to Brockner and Wiensenfeld (1996), individuals seek to make sense of their environment in response to events that are unexpected, negative, or both. Experimental studies by Van den Bos (2001) found uncertainty management to be a significant factor affecting participants’ assessment of fairness of an event.

A fifth contextual characteristic that is included in the model is the level of personal impact of an event. Social-cognitive psychologists have highlighted the role of information pertinent to self as crucial for sensemaking (Bargh, 1982; Markus, 1977). According to Greenwald (1980), people constantly experience events with themselves as the central focus. Thus, a key question an employee would consider related to an event is, “How does this event affect me?” Experimental research has found that information critical to self is more salient and highly accessible compared to other types of information (Markus, 1977; Ross & Sicoly, 1979). Thus, it is proposed that contextual triggers that contain self-relevant information are more likely to be attended to by the employee in a change context.

How these five contextual characteristics (novelty, discrepancy, deliberate initiative, uncertainty, and personal impact) influence the perception of change in psychological contract fulfillment is elaborated below.

**Novelty.** The psychological contract schema serves as a cognitive shortcut that helps employees manage the terms of the exchange relationship (Rousseau, 2001). In the context of change, the view of the employment relationship as “business as usual” is challenged if an event in the workplace is introduced that is new in terms of employees’ workplace experiences. Indirect support comes from research on organizational change that shows that new work experiences, such as restructuring, may lead employees to adopt new beliefs regarding their work (Cavanaugh & Noe, 1999). Novelty of an event is likely to result in trepidation regarding the changing nature of the exchange relationship, and thus, it focuses on employee attention on identifying changes in the employment relationship that are deemed unfavorable by the employee.

**Proposition 1.** Novelty of an event is related to employee perceptions of deficiency in PC fulfillment by the employer.

**Discrepancy.** Discrepancy related to an event arises from significant differences between one’s expectations and reality. It can also serve as a precursor for a phenomenon termed “discontinuous information processing,” where information about an event is not processed in detail unless the event is viewed as a shift from the norm (Rousseau, 1996). A shift from the norm increases the likelihood that the extant psychological contract schema will be invalidated. For instance, an organization that has initiated downsizing of its workforce signals to its employees that employer obligations regarding job security will not be fulfilled in the future. Thus, employees
are likely to focus on what they think is being provided by the organization and the extent to which it differs from what used to be provided.

_P2._ Discrepancy related to an event is related to employee perceptions of deficiency in PC fulfillment by the employer.

**Deliberate initiative.** According to Rousseau (1996), employees focus on the employment relationship when events signal that “this is the time to ask questions” (p. 51). Deliberate initiative for an event refers to a situation where sensemaking is deliberately initiated in response to a direct or indirect request for conscious attention to the event (Griffith, 1999). More and more organizations are attempting to involve employees in change programs as a way to manage employee interpretations of change and, thus, preempt any negative fallout resulting from the event (Rousseau, 1996; Rousseau & Tijoriwala, 1999). Thus, an organization considering restructuring, for example, may undertake an intervention, such as an all-staff meeting, to trigger sensemaking regarding the restructuring. Such interventions not only serve the purpose of unfreezing the psychological contract schema to incorporate new information but also provide an avenue for the organization to manage this process in a way that highlights positive changes in the psychological contract (Labianca et al., 2000).

_P3._ Deliberate initiative for an event is related to employee perceptions of excess in PC fulfillment by the employer.

**Uncertainty.** Organizational events involving change often lead to employee perceptions of loss of control and uncertainty regarding their future at work (Ashford, 1988; Wanberg & Banas, 2000). A common scenario during change programs is that employees believe that they are being kept out of the loop and that the organization is not sharing all the details. Absence of relevant information may result in ambiguity and perceptions that key information is being withheld. In a longitudinal field experiment, Schweiger and DeNisi (1991) found that uncertainty perceptions were related to perceptions of lack of organizational trustworthiness, honesty, and caring. According to Morrison and Robinson (1997), uncertainty is likely to cause employees to monitor fulfillment of their PCs more closely for obligations that were promised yet not fulfilled. Thus, uncertainty related to an event involving change will serve as a trigger for identifying obligations not being fulfilled by the organization.

_P4._ Uncertainty related to an event is related to employee perceptions of deficiency in PC fulfillment by the employer.

**Personal impact.** Research has shown that one of the major stressors for employees experiencing organizational change is related to how the change event affects the
employees (Ashford, 1988). For instance, an employee may wonder whether the event will result in an increased workload for the employee. Other concerns may relate to change in job characteristics (e.g., type of work) and loss of status or prestige (Barthélemy, 2003). Thus, the extent to which an employee believes that the change context has a high level of personal impact will lead to higher sensitivity to possible negative effects on the employment relationship.

P5. Personal impact of an event is related to employee perceptions of deficiency in PC fulfillment by the employer.

Behavioral Component

The exit-voice-loyalty-neglect (EVLN) model has been singled out by narrative and meta-analytic reviews of psychological contract research as a useful conceptual organization of employee responses to changes to the psychological contract (Rousseau, 1995; Taylor & Tekleab, 2004; Zhao et al., 2007). Derived from Hirschman’s (1970) conceptualization, and elaborated by Farrell (1983) and Rusbult, Farrell, Rogers, and Mainous (1988), the four employee-level variables of this framework are exit, voice, loyalty, and neglect. According to Rusbult et al. (1988), exit refers to leaving an organization by quitting, transferring, searching for a different job, or thinking about quitting (p. 601). Voice refers to active attempts to shape a situation that a person believes can be improved. Thus, discussing the situation with a supervisor or with coworkers, suggesting solutions, and taking action to solve the situation are examples of voice behaviors (Farrell, 1983). Loyalty refers to the employee response of “passively but optimistically waiting for conditions to improve” (Rusbult et al., 1988, p. 601). Thus, giving private and public support to the organization, practicing good citizenship, and displaying patience for the situation to improve are all examples of loyalty behaviors. The employee response of neglect is similar to loyalty such that it, too, is a form of passive behavior. However, unlike loyalty, neglect is a destructive response because it represents “lax and disregardful behavior” (Farrell, 1983, p. 598). Thus, behaviors of absenteeism, lateness, and high error rates all signal temporary abandonment and psychological inattention by an employee and, thus, represent employee neglect.

Theoretical and empirical work suggests that perceived deficiency in PC fulfillment is likely to have a negative effect on loyalty and a positive effect on exit, voice, and neglect. In a similar vein, perceived excess in PC fulfillment would be negatively related to exit, voice, and neglect and positively related to loyalty (Rousseau, 1995; Turnley & Feldman, 2000; Withey & Cooper, 1989).

P6. Employee perceptions of change in PC fulfillment by the employer is related to employee responses such that
(a) deficiency in PC fulfillment is positively related to employee exit, voice, and neglect, and negatively related to loyalty; and
(b) excess in PC fulfillment is positively related to loyalty and negatively related to exit, neglect, and voice.

Cognitive Component

A question to consider is, Do employees engage in systematic sensemaking in response to perceptions of deficiency in PC fulfillment or excess in PC fulfillment? The current model draws from Louis and Sutton’s (1991) model of cognitive processing to present the argument that when employees believe that the employment relationship is changing in a manner unfavorable to the employee, the employee is more likely to engage in systematic cognitive processing to understand “why it occurred” and “how it affects me.”

According to Louis and Sutton (1991), under certain conditions, cognitive processing shifts between two types of cognitive modes: automatic and conscious. The “switching of cognitive gears” is based on two aspects: sensing and switching. Sensing is described as a way of noticing whether environmental cues need to be attended to (Starbuck & Milliken, 1988). However, the switching of cognitive mode from the automatic to the conscious stage (also referred to as the systematic cognitive mode) occurs only when the perceived changes are viewed as negative rather than positive. Experimental research has showed that people engage in effort to make sense of an event and assign attributions of responsibility when faced with frustration (nonattainment of goals; Wong & Weiner, 1981). Research by Shaw and Sulzer (1964) found that cognitive activity increased when outcomes were negative rather than when outcomes were positive. A review of the literature highlights conditions that are negative in nature, such as those deemed “unsatisfactory,” “frustrating,” “stressful,” and “problematic,” as antecedents of systematic cognitive processing (Louis & Sutton, 1991). Systematic sensemaking requires effort and the use of cognitive resources that a person is less motivated to expend if the outcomes are positive.

Given the arguments presented above, it is proposed that the cognitive component of the model will come into play in response to employee perceptions of deficiency in PC fulfillment rather than excess in PC fulfillment. We present arguments in support of interaction effects of cognitions on employee attitudes and behaviors in response to perceptions of deficiency in PC fulfillment. Two cognitive factors that are relevant in the context of deficiency in PC fulfillment are attributions of responsibility and cognitions of relative deprivation.

Attributions of responsibility. In a broad sense, attribution theory refers to the general process by which the layman explains events (Jones & Davis, 1965). Making causal attributions serves two purposes. First, it renders the environment more predictable and, therefore, more controllable. Second, it helps an individual in deciding what course of action would be a suitable response to an event (Silvester & Chapman, 1997). Heider’s (1958) work on attribution suggests that attribution
involves judgments regarding the extent to which an entity is held responsible for the observed outcomes. According to Heider, individuals assign responsibility on two dimensions: the extent to which an entity intended or personally caused the outcome and the extent to which the outcome occurred because of environmental pressures, where environment refers to forces external to the entity. The interplay of judgments regarding responsibility of the entity versus that of the environment leads to the following types of responsibility assignment as identified by Heider (1958): (a) Association: An entity is held responsible for all effects that are in any way connected with the entity or its actions. (b) Commission: The entity is held responsible to the extent that the observed effects are ascribed to the entity even though the effects could not have been foreseen. (c) Foreseeability: The entity is held responsible for the observed effects to the extent that the entity’s actions were not intended to lead to the effects but should have been foreseen, that is, the observed effects should have been expected by the entity. (d) Intentionality: The entity is held responsible to the extent that the observed effects were the result of the entity’s intentional actions. (e) Justification: The entity is not held responsible because the observed effects were the result of justifiable actions by the entity.

Findings of experimental research on attributions of responsibility highlight three key issues. First, individuals tend to make attributions for responsibility for negative outcomes rather than positive outcomes (Shaw & Sulzer, 1964). Second, the assignment of responsibility by individuals is consistent with Heider’s (1958) model of attribution of responsibility (Fincham & Jaspars, 1980; Shaw & Sulzer, 1964). Third, the cognitive processes underlying the attributions at each level represent different levels of maturation; that is, at the first level of association, the attributions are undifferentiated and global, but progression to the next level shows a higher degree of sophistication. Empirical research on a sample of children and adults was conducted by Shaw and Sulzer (1964) to examine the notion of levels of responsibility, progressing from “primitive” attributions to highly differentiated and “sophisticated” attributions. They found that the majority of the attributions made by children were attributions of association and commission, whereas the majority of the attributions made by adults were attributions of foreseeability, intentionality, and justification.

An interaction effect is hypothesized for the three types of attributions—intentionality, foreseeability, and justification—on the relationship between deficiency in PC fulfillment and employee responses of exit, voice, loyalty, and neglect. Direct as well as indirect support for the moderating role of attributions comes from several studies (e.g., Morrison & Robinson, 1997). Conway and Briner (2002) found that employees experience greater affective reactions to psychological contract change (conceptualized as broken promises) when the employer is deemed responsible. This is consistent with Rousseau’s (1995) argument that to the extent that the cause for failure to deliver resides within the control of the perpetrator, victims’ reactions will be stronger. Thus, attribution of intentionality is expected to strengthen the negative effect of deficiency in PC fulfillment on employee reaction.
P7. Attribution of intentionality moderates the relationship between deficiency in PC fulfillment and employee responses such that the greater the degree to which the employee makes an attribution of intentionality, the stronger the negative relationship between deficiency in PC fulfillment and employee loyalty and the stronger the positive relationship between deficiency in PC fulfillment and employee exit, voice, and neglect.

Attributions of foreseeability suggest that employees hold the organization accountable for the breach only to the extent that the change is attributable to factors that the organization should have anticipated and made provisions for. Thus, attribution of foreseeability, too, is expected to play a role in shaping the negative relationship between deficiency in PC fulfillment and employee response, perhaps a weaker role compared to intentionality attribution.

P8. Attribution of foreseeability moderates the relationship between deficiency in PC fulfillment and employee responses such that the greater the degree to which the employee makes an attribution of foreseeability, the stronger the negative relationship between deficiency in PC fulfillment and employee loyalty and the stronger the positive relationship between deficiency in PC fulfillment and employee exit, voice, and neglect.

Justifications provided by the organization are expected to allay the negative impact of change context on employee attitudes in response to an unfavorable employment relationship. Research on social accounts, defined as managerial justifications and excuses, were found to be a factor associated with employee acceptance of an explanation for a need for change (Rousseau & Tijoriwala, 1999). Information provided about the organizational change was a predictor of openness to change in a study by Wanberg and Banas (2000). Thus, the organization will not be held responsible for the perceived deficiency in PC fulfillment to the extent information is available that absolves the organization from culpability related to the negative outcome of the change in the context. Hence, it is proposed that employee attributions of justification mitigate the negative effects of deficiency in PC fulfillment on employee outcomes.

P9. Attribution of justification moderates the relationship between deficiency in PC fulfillment and employee responses such that the greater the degree to which the employee makes an attribution of justification, the weaker the relationship between deficiency in PC fulfillment and employee responses of exit, voice, loyalty, and neglect.

Relative deprivation. Stouffer, Suchman, DeVinney, Star, and Williams (1949) coined the term relative deprivation to suggest that the feelings of satisfaction with one’s outcomes depend more on subjective than on objective standards. Gurr (1970)
defines deprivation as a tension state that exists when a person perceives a discrepancy between the way things are and the way things ought to be. Although there is consensus that the perceptions of deprivation are experienced relative to some psychological standard, the parameters of the subjective standard have been long debated with limited consensus (Crosby, 1976; Gurr, 1970). In other words, common sense tells us that felt deprivation is relative, but whether it is relative to what one wants, what one expects, or what one deserves is not well understood.

One model that provides a comprehensive explanation of relative deprivation is proposed by Crosby (1976). He describes five types of cognitions as the key determinants of perceptions of relative deprivation. Crosby’s relative deprivation theory states that people will feel deprived when (a) there is a discrepancy between the outcomes desired and outcomes received (criterion of wanting), (b) there is a discrepancy between a referent other’s outcomes and one’s own outcomes (criterion of comparison), (c) experiences as well as level of one’s contributions has led an individual to expect more than the outcomes received (criterion of entitlement), (d) future expectancies for receiving the desired outcome is low (criterion of low expectancies), and (e) individuals do not feel personal responsibility for the current level of outcomes (criterion of low or no personal responsibility).

**Criterion of wanting.** Employee perceptions regarding the extent to which the psychological contract is being fulfilled is related to the extent to which desired resources are provided by the organization. Findings of empirical studies demonstrate that fulfillment of obligations that are valued by the employee are more likely to lead to increased motivation for the employee to reciprocate by providing outcomes benefiting the organization (e.g., Coyle-Shapiro & Kessler, 2000). Herriot and Pemberton (1996) also give a central role to the notion of “employee wants” in their model of organizational careers. They state that the extent to which an organization can provide what the individual wants will determine the quality of the psychological contract between the employee and the employer.

**Criterion of comparison.** Of all the preconditions of relative deprivation, the criterion of comparison is the most theorized and researched. Support for the role of comparison in influencing employee evaluations of the employment relationship comes from a study by Oldham, Kulik, Stepina, and Ambrose (1986) that examined employee perceptions regarding four job facets: compensation, job complexity, job security, and supervision. Their findings show that employees contrast facets of their own jobs with those of comparative referents. Most of the participants (93% of the sample of 263) reported comparing one or more job facets to those of referents. Research is emerging in the psychological contract literature that supports the salient role of social comparison in shaping employee attitudes and behaviors in the context of the employment relationship (Ho, 2005). From a social comparison standpoint, an employee will react negatively to the extent the employee believes that a referent’s psychological contract is superior to one’s own psychological contract. In the context of deficiency in PC fulfillment that is viewed as inherently unfair, an inferior
psychological contract, on the basis of social comparisons, would further enhance perceptions of organizational unfairness and, thus, result in stronger negative reactions by the employee.

**Criterion of entitlement.** The criterion of entitlement can be understood in terms of equity as well as social exchange perspectives. Equity theorists have long maintained that the notion of what is fair and just serves as a minimum standard that shapes what an employee expects from the organization and, to the extent that this minimum standard is not met, negatively affects employee workplace attitudes and behaviors (Adams, 1965; Gurr, 1970). The social exchange perspective highlights the role of reciprocity in shaping employee perceptions of entitlement: What is expected by the employee from the organization is based on what is provided by the employee to the organization. This is reflected in the writings of Levinson (1965), who states that each party holds strong expectations of another in the work context, and the anticipated satisfaction of these expectations motivates the continuity of the employment relationship. Thus, employee entitlement based either on what is perceived as fair or on the norm of reciprocity will influence employee responses to changes in fulfillment of what is provided by the organization. If changes in PC fulfillment by the organization result in employee perception of deficiency in what the employee receives as compared to what he feels entitled to, there is a greater likelihood that the employee will respond negatively. For instance, advanced training may be viewed as an organizational obligation that the employee expects on the basis of his or her success in fulfilling challenging assignments. If the organization cancels such training opportunities, it is likely to elicit a stronger negative response from the employee than cancellation of routine training opportunities.

**Criterion of low expectancy.** In the context of the psychological contract, the criterion of low expectancy suggests that employees perceive a low likelihood that the psychological contract will change for the better. An empirical test of this premise showed that a history of PC breach was found to be an antecedent of perceptions of PC breach (Robinson & Morrison, 2000). Additionally, PC breach was associated with lowered trust (Robinson, 1996) and lowered satisfaction with one’s job and organization (Robinson & Rousseau, 1994). This suggests that in the event of deficiency in PC fulfillment, employees are less likely to anticipate positive changes to their psychological contracts.

**Criterion of personal responsibility.** Experimental research by Crosby (1976) found no support for personal responsibility (or self-blame) as an antecedent of felt deprivation. Additionally, longitudinal research by Robinson and colleagues (2000) found that employees come to perceive that they owe the organization less and the organization owes them more than what it actually provides. Other authors, too, have theorized that in the context of organizational change, employees focus less on what they are providing to the organization and more on discrepancies between what is promised
and what is being provided (Morrison & Robinson, 1997; Rousseau, 1995). Hence, the criterion of personal responsibility is not expected to be part of employee cognitions of relative deprivation and hence is not included in the model.

The effect of the four types of relative deprivation on the relationship between deficiency in PC fulfillment and employee outcomes is expected to be similar; hence, the criteria of wanting, comparison, entitlement, and low expectancies are combined to form the construct of relative deprivation.

P10. Relative deprivation moderates the relationship between deficiency in PC fulfillment and employee responses such that the greater the degree to which the employee perceives relative deprivation, the stronger the negative relationship between deficiency in PC fulfillment and employee loyalty and the stronger the positive relationship between deficiency in PC fulfillment and employee exit, voice, and neglect.

Conclusion

Our article presents a model that specifically examines when and how employees respond to organizational change. The contextual component of the model presents characteristics related to organizational change that serve as “occasions for sense-making” regarding the changing nature of the employment relationship. Such a focus enables generalizability of the framework beyond any specific organizational change program. The behavioral component of the model delineates employee responses to revisions to the employment relationship defined in terms of perceptions of deficiency as well as excess of PC fulfillment. The EVLN model used in the study has been singled out by narrative and meta-analytic reviews of psychological contract research as a useful conceptual organization of employee responses to changes to the psychological contract (Rousseau, 1995; Taylor & Tekleab, 2004; Zhao et al., 2007). This typology of employee attitudes and behaviors is of theoretical and practical relevance, as it presents a conceptual organization of outcomes that are salient for organizational effectiveness. The cognitive component of the model examines two cognitions, attributions of responsibility and relative deprivation, as moderators of the relationship between deficiency of PC fulfillment and employee responses. Drawing from the work of Louis and Sutton (1991), we conjectured that perceptions of deficiency would result in employees’ engaging in cognitive effort to seek explanation regarding why it happened and how it affects the employee.

Model Testing

An empirical test of the proposed model would begin with developing measures for the contextual and cognitive variables. Theoretical articles by Griffith (1999),
Louis and Sutton (1991), and Weick (1995) as well as experimental research by Markus (1977) and Van den Bos (2001) offer insight into potential items for a scale to measure the contextual variables. Several psychological contract researchers have developed items for attributions that are similar to the ones included in the proposed model (Lester, Turnley, Bloodgood, & Bolino, 2002; Morrison & Robinson, 1997; Robinson & Morrison, 2000). Thus, prior work on attributions provides potential items for developing a measure of the three attributions included in the proposed model. In a similar vein, cognitions of relative deprivation have been examined in the literature on pay satisfaction as well as in studies on employee discontent in organizational settings (Crosby, 1984; Sweeney, McFarlin, & Inderrieden, 1990). These studies offer valuable insights for developing measures for assessing cognitions of relative deprivation.

A combination of qualitative as well as quantitative methodology would be an ideal approach for testing the model. Such an approach is recommended for studies that examine sensemaking as a theoretic framework (Lau & Woodman, 1995; Maitlis, 2007). Furthermore, longitudinal research is recommended to capture the dynamic nature of the employment relationships in response to organizational change. Interested researchers should heed Pettigrew, Woodman, and Cameron’s (2001) recommendations regarding analytic issues, such as use of multiple contexts and levels of analysis, inclusion of time, examination of linkages between change processes and organizational relevant outcomes, and investigation of cross-cultural comparisons, to name a few.

**Implications for Research**

One promising area for future research is whether employees systematically evaluate and respond to organizational change that is related to excess in PC fulfillment. The sensemaking and attribution literatures assert that systematic cognitive processing takes place under conditions of deficiency in PC fulfillment. However, anecdotally, it is conceivable that positive events, such as introduction of attractive benefits or a new compensation package, may result in a positive view of the exchange relationship such that employees perceive enhanced PC fulfillment. Indirect support for this line of thinking comes from a study in which employees reported increased satisfaction with employer obligations related to pay, career development, and training after their organization outsourced some of its services (Kessler et al., 1999). Thus, future research might explore whether employees engage in controlled cognitive processing when exchanges are deemed favorable. Such a positivistic line of research would identify the benefits of developing and maintaining a functional exchange relationship (Seligman & Csikszentmihalyi, 2000).

Another promising area for future research is addressing the following question: When does deficiency in PC fulfillment result in perceptions of PC breach? This
question focuses on how PC fulfillment and PC breach are related. The constructs of PC breach and PC fulfillment are often treated as polar ends of a continuum (Lambert, Edwards, & Cable, 2003; Shore et al., 2004). Shore et al. (2004) compare this issue with that of illness and health and ask whether “health is simply the absence of illness or is it something more?” (p. 345). Conway and Briner (2002) recommend examining PC breach development through self-narratives. Future research needs to attend to the question regarding how employee beliefs change from perceptions regarding PC fulfillment to perceptions of PC breach. Our model identifies attributions and relative deprivation as critical variables that may serve as a starting point when examining changes in employee perceptions of their psychological contracts.

Another variable that is relevant to this discussion is the role of employee expectations regarding the outcomes of change. According to a conceptual framework described by Yuan and Woodman (2007), an employee’s outcome expectations are shaped by the nature of information regarding the change program (information effects) as well as through the inferences and opinions provided by others (social effects). Research is needed to understand whether expectations influence not only the decision of employees to engage in systematic processing but also whether and how employees respond to the change. For instance, if an employee expects that the change event will ultimately result in positive outcomes, the employee may be less inclined to expend cognitive effort toward assigning attributions of responsibility or toward assessing relative deprivation.

Future research should also consider individual differences, such as personality, when studying employee sensemaking regarding PC fulfillment in the context of change. Research by Raja, Johns, and Ntalianis (2004) highlights the role of extraversion, conscientiousness, neuroticism, equity sensitivity, self-esteem, and locus of control as key factors shaping employees’ psychological contracts. Additional research might examine these and other personality variables to assess the extent to which they affect each aspect of the proposed model. For example, highly conscientious employees may be more likely to monitor changes in what the employer provides. Additionally, employees high in equity sensitivity may respond more strongly to a change in PC fulfillment that is viewed as deficient. Although including personality variables was beyond the scope of our model, we recommend this as a promising area for future research. It is important to note that employee tenure may also affect employee evaluation of the employment relationship. Psychological contract research suggests that long-term employment relationships tend to be relational in nature; that is, they are characterized by stability, loyalty, and identification with the organization (Rousseau, 1995). It is possible that long-tenured employees may give the organization more leeway regarding the change. However, employee trust that the organization is looking after its employees may play a role as well. If employee trust is eroded, it may result in stronger reactions from long-tenured employees.
Thus, future research might explore employee tenure and trust in studies on employee evaluation of changes in their psychological contracts.

**Implications for Practice**

The proposed framework is of value to practitioners who are involved in the implementation of organizational change programs. Several meaningful recommendations can be offered to organizations on the basis of the model. By paying attention to the factors that trigger employee sensemaking regarding change, organizations can proactively manage these factors. For instance, if the change represents a novel situation, organizations can provide explanations or associate the change with other events that were similar in nature, creating a “business-as-usual” scenario. Uncertainty related to an event is another contextual factor that may focus employee attention on what has changed in the employment relationship. Providing accurate and timely information may reduce or even eliminate uncertainty regarding a change program. Employee involvement in the change program is another suggestion that would not only contribute to the successful implementation of programs but may also displace employee attention on how the employment relationship has been affected by the change program. Finally, it may be worthwhile for the organization to have employees understand how the relationship is affected by the change. By undertaking deliberate initiatives, such as staff meetings, to influence employee sensemaking, organizations may be able to manage employee cognitions and thus preempt negative responses by employees.

The cognitive aspect of the model, too, provides some insights for agents of organizational change. How employees react to changes in the psychological contract will be stronger or weaker depending on employee attributions and perceived deprivation. Thus, by providing appropriate and timely information on the intentionality, foreseeability, and justification in the change process, negative reactions can be mitigated and positive reactions fostered. The same applies to actively managing the factors that influence the perceptions of relative deprivation.

Organizational change is a current workplace reality and a concern not only for researchers but for practitioners as well. These changes cause employee sensemaking that can radically affect the exchange relationship with the organization. For instance, the so-called old deal of exchanging employee loyalty in return for job security is mostly considered wishful thinking in today’s business environment (McLean Parks & Kidder, 1994, p. 112). A key takeaway point of the current study is that organizations need to pay attention to how employees make sense of the organizational change. Understanding employee viewpoints regarding the change would at the very least mitigate negative attitudes and behaviors by the employees in response to perceptions of unfavorable changes to the psychological contract and thus ensure success of the change program. In the long run, paying attention to the
employee perspective in the context of dynamic workplaces will help organizations to establish and maintain a mutually productive relationship.

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References


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