Investigating psychological contracts during the global economic crisis

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Insecurity, Complexity and Uncertainty: Investigating psychological contracts during

the economic crisis

Key words: economic crisis; psychological contracts; leadership; trust; communication

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Abstract: *In the psychological contract literature, qualitative research is not very common let alone in the context of the economic crisis. This study aims to enhance understanding of the changes in the psychological contracts of individuals during the economic crisis and the processual nature of the experience. It samples leaders and employees from an Energy organisation in India impacted by the Global Economic Crisis 2008 to draw out insights into their experiences of change implemented during crisis. Semi-structured interview design is employed to examine these issues and data is analyzed using the content analysis. The findings present a complicated picture of the psychological contracts in addition to highlighting a range of cognitive, emotional and behavioral responses to the change and the role of situational constraints.*

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During economic crises, the restructuring of organisations becomes quite salient (Hartley, Jacobson, Klandermans, & Van Vuuren, 1991) which can lead to organisations undergoing various changes like: changes in resource distribution, job cuts and even business closures (Hartley et al., 1991; Sverke & Hellgren, 2002). According to Mclean Parks and Kidder (1994), there are a range of events that can disrupt organisational life and prompt a re-evaluation of the psychological contract. They further suggest that various organisational change such as cost-cutting, downsizing, compensation and benefits changes and changes in the workforce configuration or deployment (which become quite prevalent during recessions) might constitute such events that lead to the reassessment of psychological contracts and perhaps a breach. Psychological contract breach is a "subjective experience, referring to one's perception that another has failed to fulfill adequately the promised obligation of the psychological contract" (Robinson 1996, p. 576). Employees' attitudes and behaviors may be impacted if they believe that a breach of contract has happened, irrespective of whether contract was really breached or not (Morrison & Robinson, 1997). Perceived contract breach results in job dissatisfaction, employees distrust in management, decrease in in-role and extra-role behaviors and an increase in intentions to leave (Robinson, Kraatz & Rousseau, 1994; Robinson & Morrison, 1995; Robinson, 1996).

A complicated economic situation and the tight jobs market (because of lay-offs and freezes; Lim et al., 2009) might affect people's perceptions of the organisation's obligation's towards its employees. Leaders might be prompted to demand more from their employees e.g. in terms of working more hours or doing more work for the same pay (Zagelmeyer, 2010; Roche, Teague, Coughlan, & Fahy, 2011) which might impair the existing work-exchange relationship and might result in negative employee outcomes. Therefore, it is critical to understand how organisational change initiated by the recent economic recession affects people's perceptions of the unvoiced and 'un'indited exchange contracts, which has

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rarely been explored before. The significance of the role of context in influencing psychological contracts has been highlighted in the literature previously (Rousseau, 1995; Shore et al., 2004), yet the empirical studies on this topic seem to be limited. Recently, a few quantitative studies, e.g. by Metz, Kulik, Brown, and Cregan (2012) and by De Hauw and De Vos (2010) have taken the context of crisis into consideration to analyse psychological contracts however qualitative studies in this area are still very uncommon.

This study intends to address this gap and investigate how well the psychological contracts hold up during the economic crisis (Global economic crisis 2008). The specific research question however is: To look into individuals' responses to change during the economic crisis through the lens of the psychological contract.

The literature review now will give an overview of the change players and then look into individuals' responses to change before discussing the role of other factors like leadership, trust and communication in influencing the same. This is followed by the research approach adopted to conduct this research and the findings, which are presented and discussed. Lastly, the papers present a discussion on the implications for future research.

Organisational members involved in change or change agents

Different people at different levels of the organisational hierarchy may play different or simultaneous roles in the change process, especially in recession. This research will categorize change players into two groups, namely, change leaders who introduce and execute the change and change recipients or employees who are affected by it. It is also important to note that people can play multiple roles in the change process (Smollan, 2009). One of the features of this study is to identify how different change players view change implemented during recession (whether they consider it as a 'breach' of contract or not) and to understand the discrepancies in their perspectives.

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People's responses to change during recession

To understand the cognitive process of assessing change (in this case economic crisis), it is useful to explore the literature on sense-making. The need for more research to understand how employees perceive organisational change is highlighted in the literature (Chaudhry, Wayne, & Schalk, 2009). Chaudhry et al. (2009) propose a model of how employees assess psychological contract fulfillment during organisational change. This appraisal process is referred to as 'sense-making' to determine the degree to which there has been a shift in employees' psychological contracts. It involves employees' decision-making on how they react to these shifts by changing their commitment towards the organisation (Chaudhry et al., 2009). Sense-making in mainly applied to delineate and comprehend organisational life as viewed by the employees (Weick, 1995), which aligns with the notion of psychological contracts as subjective experience being 'idiosyncratic and unique' to each employee (Rousseau, 1995, p. 10). Chaudhry et al. (2009) advocate emphasizing the 'psychological' over 'contract' in psychological contracts so as to analyse elements that are prominent when employees perceive shifts in their exchange relationship. Employees usually switch to cognitive functioning when the changes in the exchange relationship are not positive (Louis & Sutton, 1991). Employees might engage in active thinking and ask questions such as "How" and "Why" about these changes and their impact, the responses to which might affect employees' reactions to these in the exchange relationship (Chaudhry et al., 2009, p. 500).

Responses to change implemented during a recession may also depend on such factors as how people perceive change leaders, whether they trust them, communication in the organisation and the organisational context in totality.

Leadership can have a profound impact on employees' psychological contract and therefore on employees attitudes and behaviors (Flood, Ramamoorthy, MacDermott, &

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Conway, 2008). Employees experiencing change evaluate leaders' abilities to handle various roles, especially their ability to manage change. Furthermore for leaders to work efficiently in these tough times it is important to create and maintain a climate of trust. Trust is perceived as an important antecedent to the success of change initiatives (Dirks & Ferrin, 2002; Kirkman, Jones, & Shapiro, 2000). Morgan and Zeffane (2003) note that change efforts, specifically structural reorganization, can negatively affect the trust in management. Research by Robinson (1996) demonstrates that how trust decreases as a result of a psychological contract breach and its negative effects. Even though individuals' might have had high levels of trust in their leaders in the past, this can be eroded by a change in context for example organisational change.

Trust enables an organisation to operate in its normal state of affairs before crisis strikes and is essential in maintaining its reputation (Cartwright, 2008). Additionally, leaders who are trusted by their employees can communicate their views and perspectives clearly throughout the organisation. Communication enables the organisation to handle employee uncertainty, work satisfaction and retention, throughout and subsequent to, change, such as mergers and acquisitions and downsizing (Bastien, 1987; Johnson, Bernhagen, Miller, & Allen, 1996). The main role of communication during change is to lessen employees' uncertainty and keep them updated on the expected organisational procedures and policies (Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004). Conveying information about the changes being implemented to employees can be critical, as lack of communication can lead to an increase in the psychological distance between leaders and employees (Morrison, 1994).

The literature review has discussed various key points. It first looked at the psychological contracts in the context of change. Change implemented during recession can lead to perceptions of psychological contract breach, in terms of both outcomes and

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processes. Moreover, there are multiple factors that affect how people perceive and respond to change. What a person considers more prominent to him/her could reside in one of these factors. The literature review has also looked in to sense making to better comprehend individual's responses to change. Additionally, the role of various factors that revolve around organisational change, e.g. organisational leadership, trust and communication are also taken into consideration. Examining these will enhance our understanding of how change led by economic crisis is perceived by change agents, what are the experiences of the employees who have experienced psychological contract breach or violations.

Method

This research gravitates towards employing a case study technique to explore, comprehend, gather and analyse data and to yield a rich descriptive account of the phenomenon under study i.e. understanding change in crisis context as perceived by individuals, in other words how change influences their psychological contracts and guides their responses. By choosing this approach, this research aims to gain and broaden one's understanding by way of spoken or unspoken communication; gathering, analysing and adding together the information; confirming the results from participants for credibility of the meaning ascribed or interpretation and; examining unexpected and unforeseen answers or feedback received and thereby developing themes from them (Merriam, 2009). Semi-structured interviews were used to collect data. Interview design was prepared and after a couple of interviews it was revised (made a bit less specific than what it was initially). At the beginning of the interview, all participants were asked more general than specific questions (for e.g. asking them about their work and their organisation's culture and working atmosphere). With regards to the economic crisis all participants were asked to describe how the global economic crisis 2008 affected their organisation in terms of changes implemented

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during that period before moving on to specific aspects of the change and the reactions it resulted in. The aim of this approach was to enable the participants to be at ease while describing their experiences of organisational change during economic crisis and also to underline their responses and their causes and effects. For the participants this approach helped recall key moments they experienced when their organisation was impacted by crisis although most of interviews were conducted during the period of change.

The context of the study

This study was carried out in an Indian Energy Organisation, Org-Energy the details of which are provided in Table 1.

INSERT TABLE 1 ABOUT HERE

The degree of the impact of global economic recession varied from organisation to organisation. However quite a number of organisations handled it by following the retrenchment approach that involved reduction in costs such as job cuts, instituting hiring freezes, merit freezes, training budget cuts, R&D budget cuts etc. Org-Energy was no different. With the onset of the crisis, Org-Energy introduced various changes, which will be discussed subsequently.

Network sampling technique (Merriam, 2009) was used which identified a total of sixteen interviewees- five non managers (R12, R13, R14, R15 and R16), one first level manager (R11), four senior managers (R7, R8, R9 and R10) and six business heads (R1, R2, R3, R4, R5 and R6) who appeared to contribute positively to the study.

Data Analysis

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Inductive content analysis (Downe-Wamboldt, 1992) was used for data analysis. During analysis, a list of codes was generated that reflected preliminary themes found in the interview transcripts. After that I produced synopses of the material coded and then arranged it according to the similarities. I have also put in a blend of direct quotes and summaries. The process view of analysis has been provided in Table 2.

INSERT TABLE 2 ABOUT HERE

Findings

A total of four themes were identified which have been listed in Table 3.

INSERT TABLE 3 ABOUT HERE

Theme 1- Global Economic Recession 2008

There are two categories that will be discussed under this theme: Impact of the Global Economic Crisis 2008 and Employees' responses

Category 1- Impact of the Global Economic Crisis 2008

The global economic crisis 2008 impacted Org-Energy in a variety of ways. There are six sub-categories (see Table 4) namely increased competition; impact on leadership; Overcapacity and problems with backward integration; Negative media; cost cutting measures and changes in people management strategies and; positives of crisis, which will be discussed under the Impact of global economic crisis 2008.

INSERT TABLE 4 ABOUT HERE

Discussion

Org-Energy is a young organisation, which is fairly dynamic and continuously improving. I believe that leadership changes, negative attitude of analyst's community and the mass media in general and substandard product quality, which was questioned, were events that triggered negative perceptions amongst the employees. Additionally with the

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changes in people management strategies such as bonus cuts, controlled hiring, increased work load (double heading) and travel budget constraints which impacted individuals directly and were perceived as unfulfilled expectations, triggered a process which involved employees making efforts to elucidate *"what's the story here?"* (Weick, Sutcliffe, & Obstfeld, 2005). Furthermore, it was also obvious that the top management foresaw that employees would express negative responses to the unfavorable consequences and therefore started communicating more, engaging with employees more and also made other kinds of support accessible which was seen positively by employees. According to Lester and Kickul (2001), an organisation that involves open book management is able to give improved clarifications or reasoning especially when it is unable to fulfill promised obligations due to the external factors that are not in its control.

Category 2- Employees Responses

Respondents' perceptions were based on the different change initiatives the organisation introduced during the economic crisis. Sometimes they were referring to changes that affected them, sometimes changes for others, and sometimes for the organisation overall. Most of respondents evaluated these changes both positively and negatively except for a few. There are three sub-categories (see Table 5) namely emotional responses; behavioral responses and; externalizing and rationalizing the event that will be discussed under Employees' responses.

INSERT TABLE 5 ABOUT HERE

Discussion

Events such as cuts and an increased workload triggered intense emotional and behavioral reactions at Org-Energy, which is in line with most of the research conducted on change which shows how change can lead to negative emotions (Huy, 2001; Piderit, 2000)

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and the research on the psychological contracts which shows how change in the psychological contracts can lead to different behavioral consequences (Rousseau, 1995; Taylor & Tekleab, 2004). Most of the participants' responses indicated a feeling of loss reflected through frustration, fear, anxiety, unhappiness, unease and concerns over job security. These emotional reactions necessitated as well as assisted sense-making process, making individuals' ask, "What did I expect?" (Weick et al., 2005). Additionally a number of respondents externalized the breach (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008; Parzefall & Coyle-Shapiro, 2011) as they referred to the context of crisis and believed it to be the need of the hour, which to an extent normalized the breach. By explaining that, "*the organisation did not make employees redundant" (R14),* or that "*everybody knew where it was coming from*" *(R10),* individuals in a way cleared leaders of their responsibility. Additionally, the saliency of the unfulfilled PC obligations was to an extent mitigated by considering other factors that reduced the negative aspects of the breach, put it in the context of other relevant events, and highlighted the positives of work relations, as found in the research by Parzefall and Coyle-Shapiro (2010).

Other changes that respondents reported to work-related attitudes and behaviors were demotivation and a decrease in morale. It was also mentioned that some employees left the organisation (Exit) (Guzzo, Noonan, & Elron, 1994; Robinson & Rousseau, 1994) mainly because of bonus cuts, a decision the organisation had later to renounce. Furthermore it was also discussed that some employees tried to question and voice their concerns (Farrell, 1983) but with no results whatsoever. It was also mentioned that some people continued working and overlooked everything (Robinson & Rousseau, 1994). This might be because they did not have other employment alternatives available (Rusbult, Martz, & Agnew, 1998). According to Herman (1973), an individual's attitude may differ according to how he sees, arranges and assesses pertinent events in his work context. Although there are various behaviors (like exit,

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voice, absenteeism, decreased engagement) that an individual might engage in, situational constraints (Robinson, 1996; Rousseau, 1995) restrict the individual's ability to take on each. An individual can espouse any behavior to the degree that a situation permits him/her freedom of action. Therefore, even if employees feel that psychological contract obligations have not been adequately fulfilled they might not engage in behaviors that they would like to as these might be limited by situational contingencies, as was apparent in some responses, e.g. *"at least they had a salary, a regular income" (R14) and "at the end of the day I believe something is better than nothing. I have a job atleast" (R4).* What could also be noted in the respondents' comments was the discrepancy between change leaders responses and employees (change recipients) responses on peoples' reactions to the changes implemented. For example leaders believed that because of the effective communication that was maintained employees were motivated or that employees were satisfied with the cuts because they were provided job security where as employees' responses revealed positive and negative reactions: cognitive, affective and behavioral.

Theme 2- Leadership during the crisis

Quite a number of overlapping and contradictory issues surfaced in the interviewees' responses on leadership during crisis: positive and negative evaluations of leaders, different roles played by various leaders, their leadership styles and abilities and the impact on employees' perceptions. Interviewees' perceptions of leadership were predicated on different phases of the crisis and different leaders. Interviewees' perceptions of leadership were predicated on different phases or crisis and different leaders. There are six categories (see Table 6) discussed under this theme: Credibility issues; Different features of leadership that emerged during the crisis; Deliberate sense-making; Engaging, connecting and communicating; Walking the talk; and Job security.

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INSERT TABLE 6 ABOUT HERE

Discussion

Participation (by providing information or exchanging views) and walking the talk were the main factors in most of the participants' assessments of the top management's intentions. Leaders' actions enhanced employees' perceptions of justice (Morrison and Robinson 1997; Rousseau 1995), because it was not just employees who had to face the cuts, the leaders were in the same boat with some of them voluntarily giving up some of their benefits. Most of the respondents, especially change leaders, believed that change was managed in a fair manner, but some respondents held a different understanding. Although leaders' perceptions might be the result of a self-serving bias (Gomm, 2004), my understanding from their responses was that they did make efforts to shield employees and were fair in overseeing change. Comments such as, "*there was never a delay in payment- salaries and leaders kept their promises" (R11), "We didn't fire even a single employee" (R3)* or the importance of ""*insulating young people from financial difficulties"(R5)* show that individuals saw fairness in the way employees were treated by the organisation. Most of the respondents, change leaders as well as recipients, believed that the top management provided adequate support for the change initiatives implemented during the recession. Studies suggest that when people are given opportunities to participate in decision-making, their perceptions of the fairness of the process increases (Thibaut & Walker, 1975; Walker et al., 1974). Most of the respondents in this research, mostly change leaders, emphasised the attempts that organisation made to keep employees updated, exchange views with them and include their ideas.

Theme 3- Communication during a crisis

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Both content and communication can play a crucial role during transitions. There are three categories (see Table 7) namely positive assessment, negative assessment and employees' responses to communication discussed under this theme.

INSERT TABLE 7 ABOUT HERE

Discussion

Communication plays a crucial role during transitions (Harshman & Harshman, 1999). Change communications is vital to mitigate ambiguity and update employees on the expected events (Bordia et al., 2004). There seems to be a discrepancy between how leaders perceived organisational communication and how employees saw it. Communication when not managed properly can lead to negative rumors, as has been highlighted by R11, which might be detrimental to the organisation during change (Bordia et al., 2004). Rumors reflect the uncertainty that usually coexists with the organisational change and they continue or thrive when inadequate organisational communication is ineffective in mitigating this uncertainty (DiFonzo & Bordia, 1998). Additionally, I believe that *"sharing only good points" (R12)* can be perceived as manipulation of people, tacit if not obvious. Usually giving a different, mostly positive picture to employees might be an effort by the leaders to maintain good morale amongst them. It is unclear whether these actions by organisation were a result of not wanting to upset employees or spread negativity amongst them or a need to give the impression that everything was ok all the time or a blend of all these.

Studies suggest that the timing, media or accuracy of communication can help organisations deal with rumors (DiFonzo & Bordia, 1998) and impact individual's views of fairness (Smollan, 2009). If organisations do not communicate on time, employees might get to know about various aspects of change from outside sources (Bastien, 1987; Smeltzer, 1991), which happened in the case of Org-Energy. Research indicates that when employees get information from organisational sources or leaders they like it better, in comparison to

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when they get it from outside sources (Larkin & Larkin, 1994) which might result in disappointment (DiFonzo & Bordia, 1998), as indicated by R12 and R9 in this case. Additionally grapevine communication (highlighted by R11) can be deleterious too during organisational change as it can lead to the organisation no longer controlling or directing what is being communicated, thus making employees who are already anxious, see things in bad light (DiFonzo & Bordia, 1998) (e.g. "*We don't know the fate of certain positions…..job security tends to set in. There's a lot of grapevine communication happening, we don't know what actual authentic information is"*) *(R11).* I believe that insufficient and inaccurate communication from the leaders did not help employees to handle uncertainty and was also perceived as impairing the exchange relationship.

Theme 4- Importance of trust during a crisis

This theme focuses on the employees' trust in leadership and its impact during the economic recession. Both positive and negative assessments were reported which are discussed in Table 8.

INSERT TABLE 8 ABOUT HERE

Discussion

How employees perceive and respond to the trustworthiness of their leaders during change can be affected by various factors that work together (Smollan, 2009). Trust is defined as the consequence of a sound collaboration of prior events, with behavioral outcomes (Daniels, 1989); in other words aligning words with actions (DiFonzo and Bordia, 1998). Trust can be broken when employees get to know about change from non-organisational sources (Smeltzer, 1991), or when leaders do not provide sufficient information or say one thing and do another. Most of the respondents, especially change leaders, mentioned that their leaders maintained trust during the recession by walking the

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talk, involving employees, showing results and being transparent with them. However some participants questioned the information they were provided with during the change and highlighted communication issues which colored their feelings and influenced how they perceived leaders' trustworthiness. Perceived untrustworthiness is related to uncertainty perceptions (Schweiger and DeNisi, 1991), which can result in employees becoming more vigilant and keeping a close eye on their PC fulfillment (Morrison & Robinson, 1997), which could be sensed in some of the responses.

Conclusion

During the recent global economic crisis, even if organisations had not undergone downsizing the psychological contracts between employees and leaders would have changed significantly. The findings here reinforce and add to previous studies by providing a more holistic but complicated picture of the psychological contracts in the organisations during global economic crisis. The main aim of this study was to investigate people's responses to change during global economic crisis through the lens of psychological contracts. Of particular interest was the realization of how people made sense of the change events, what their responses were and how these impacted their behavior. By referring to a context of crisis (situational constraints) and understanding the reasons for the discrepancies between employees' expectations or employer obligations and what was delivered, the respondents tried to create a plausible story. Furthermore, this research evaluates the interplay between different factors (leadership, trust, communication, crisis context) in changing psychological contracts. Additionally it looks into the interaction between cognitive, emotional and behavioral aspects of change (Smollan, 2009) in an economic crisis.

Similar to the study by Parzefall and Coyle-Shapiro (2009) this study shows that contract breach is not essentially an isolated event as most of the research presents it to be

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and backs the notion that the promises can be broken in variety of manners (Conway & Briner, 2005) as they don't just involve inducement-contribution exchange. Employees may view breach differently and through various change events. Furthermore, this research shows how employees' responses emerged as components of sense-making. The responses whether behavioural or emotional are not entwined and are vital part of sense making. Additionally employees constantly looked for explanations, the approach that aligns with sense making research (Weick, 1995) that suggests that cognitive, emotional and behavioral aspects are convoluted. More prominent in this research was frequent references to the crisis context which to an extent justified leaders' actions and made employees not to always reciprocate. Additionally messiness of the change process was evident from the intricacy of individual' responses to organisational change i.e. how conflicting and ambiguous most of the responses were.

Limitations and Implications for future research

The main limitation of this study was the number of interviews which were just 16 in number and lasted for 30-70 minutes making it difficult to dig for the complexities of the psychological contracts and responses to change in greater depth. However, I believe that sufficient data was generated to show how psychological contracts were influenced during crisis. Furthermore, as the research was conducted in only one organisation, future studies should conduct research across different organisations. Furthermore depending on respondents' recollection of events (in this case recession led organisational change) can ridicule interviewing process and other approaches of gathering data (Gomm, 2004). However as the interviews were conducted during the economic crisis, many of my respondents had clear memories of what happened and were able to recall the events and their experiences of the same.

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Implications for future research

Future research should acknowledge the role of other factors besides inducements in understanding employees' responses to change events. For example, further research (qualitative and quantitative) could recognise and include the role of other factors like effects of personality, media, and HR practices in the exchange relationship. Focus groups could be helpful in bringing up varied responses to the same events in an organisation and thereby look at similarities and dissimilarities. Likewise, ethnographic studies could be useful to gain greater insights into context than interview study. The role of national cultures in influencing elements of the exchange relationship in the context of crisis could also be explored. It would also be interesting to see how intra personal interactions with peers, family, friends etc influence psychological contracts during times like crisis. Future research could also look into different forms of leadership that emerge during crisis and their effectiveness in influencing people's responses to incongruous events. Furthermore, certain aspects like trust and communication could also be explored in much greater depth.

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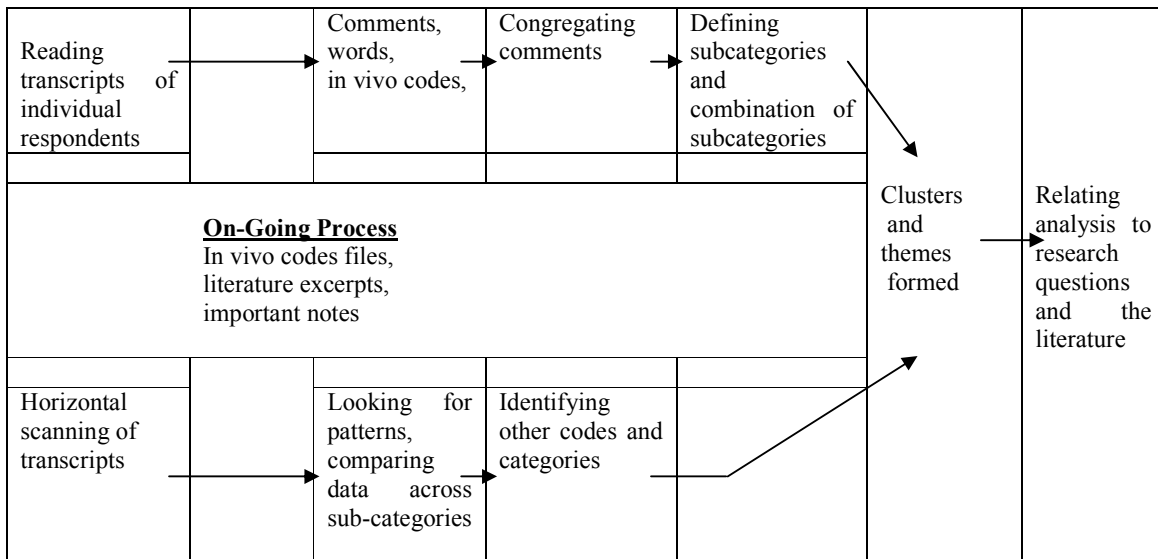Investigating psychological contracts during the global economic crisis

Table 1: Details of Org-Energy

Organisation	Industry	Employees	Location	Total number of interviews
Org-Energy	Energy	10,000-15,000	India	16

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Table 2: Process view of analysis

Reading transcripts of individual respondents		Comments, words, in vivo codes,	Congregating comments	Defining subcategories and combination of subcategories	
					Clusters and themes formed
On-Going Process In vivo codes files, literature excerpts, important notes					
Horizontal scanning of transcripts		Looking for patterns, comparing data across sub-categories	Identifying other codes and categories		Relating analysis to research questions and the literature

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Table 3: List of the themes identified

S.No	Themes	Categories	Sub-Categories
1	Global Economic Crisis 2008	1. Impact of the Global Economic Crisis 2008	1. Increased Competition
			2. Impact on Leadership
			3. Overcapacity and problems with backward integration
			4. Negative Media
			5. Cost-cutting measures and changes in people management strategies
			6. Positives of crisis
		2. Employees' responses to change events	1. Emotional responses
			2. Behavioral responses
			3. Externalizing and rationalizing the breach
2	Leadership during the crisis	1. Credibility issues	
		2. Different features of leadership that emerged during the crisis	
		3. Deliberate sense-making	
		4. Engaging, connecting and communicating	
		5. Walking the talk	
		6. Job security	
3	Communication during the crisis	1. Positive assessment	
		2. Negative assessment	
		3. Employees responses to communication	1. Positive responses
			2. Negative responses
4	Importance of trust during the crisis	1. Positive assessment	
		2. Negative assessment	

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Table 4: Subcategories discussed under the impact of the Global Economic Crisis 2008

Org-Energy is the only provider in India per se end-to-end solutions in (one of the renewable sources) power area and the organisation purported that they *"probably would have this advantage for a long time but found out that the competitors were very fast catching up" (R1)*.	Increased Competition	
"Some of the old people, some of the very senior people lost their standing in the company. They might not have lost their jobs but they lost their standing because new professional came in and showed them in bad light. They kind of said these guys are the core reasons for your problems. So technology head was changed, the CEO of India was changed, the CEO of world was changed" (R9)	Impact on leadership	
"In the process of expanding we somehow overlooked the backward integration and did take a hit. Somehow till 2005, 2006, 2007 we took for granted that we are there and we've made it"(R7)		
During recession, the product quality which is the part of the backward integration was questioned creating challenges for the organisation. Org-Energy had a blade crack issue in US, which according to R9 "*hurt its reputation*". According to R9, what happened after that was sales team started building excuses for not selling which in a way *"corrupted the culture"*. The culture moved from "*we can do it*" kind of a system to "*cover thy ass*" kind of a system.	Overcapacity and problems with the backward integration	Impact of the Global Economic Crisis 2008
"When there's been an over capacity (i.e. the situation where organisation cannot sell as much as it can produce) as a result of the decline in the growth of this sector...it obviously leads to pressure on margins, so everybody has to kind of relook at the costing and which leads to also improving the cost efficiencies of the system, processes, secondly the materials as well"(R2)		
"We had a lot of negative media around us"(R6) According to R9 during the economic crisis analyst community' view had become a bit "*pessimistic*".	Negative media	
"*We used to have Saturdays' off but now we have all these days working*" (R11). Along the same lines, R16 remarked that workload had increased during recession *"because we had to manage in existing man power"*. Adding to this she also spoke about *'double heading'* which was done during recession by the employees.	Cost cutting measures and changes in people management strategies	
The cost minimization measures that most of the respondents spoke of included *"restricted hiring, salary hike freeze(**mostly for seniors**), training constraints, long working hours, cuts in travel expenditures, Diwali (Indian festival)bonus freeze etc"*		
According to R6 organisation did various campaigns around positive communication and tried to resolve employees' grievances, which mostly revolved around non-monetary employee engagement activities. Other things that surfaced during interviews with respondents, which organisation introduced included starting change management program called *"BRAINWAVES"* to identify gaps in the systems and setting up of governance mechanisms, which were reviewed regularly by the CMD.	Positives of crisis	

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Table 5: Subcategories discussed under the employees' responses

"As any change happens….it was hard, it was hard to accept" (R8)		
R4 confessed that there was a sense of insecurity which she referred to as *"fear of survival"* regarding whether the organisation will be able to take orders and whether they'll be able to make two ends meet.		
R9 referred to crisis as *"a time of disbelief"* and admitted that employees even at the middle and senior levels were experiencing fear and anxiety as they were concerned about *"job security"* and *"reputation of the company which was going down"* as a result their ability to find another job was also getting hit.	Emotional responses	
R9 expressed disappointment with the leaders who he believed *"lacked long sightedness"* and did not have an execution plan.		
Respondents discussed how being a people intensive company it was assumed that people would stay but somehow during recession and post-recession, attrition increased. Speaking on bonus cuts R6 said that initially there was "*voluntary euphoria*"; employees said they do not want it but later organisation had some talent crisis and had to renounce the decision of not giving incentives.		
Broadly speaking, organisation saw employees leaving or continuing with their work and overlooking everything. When asked whether anybody questioned these initiatives R9 stated that people did question but did not get any response. He explained it this way, *"you don't get right answers, you are squirt down upon and then you are told this is the organisational structure, if you can work in this, good ……if you cannot, just get the hell out of here".*	Behavioral responses	Employees' responses to change events
However, a number of respondents mentioned that employees supported the organisation and that majority stood by the organisation, which was quite encouraging. For example, R4 believed that employees showed a lot of solidarity during recession.		
"*Everybody took it in the stride; everybody knew where it was coming from*"(R10)		
"Org-Energy did not promote the policy of showing profits by reducing headcounts like other companies" (R14). She admitted that yes people did not get increments, which was not a big issue because, *"at least they had a salary, a regular income".*	Externalizing and rationalizing the event	
R12 admitted that whatever the situation, whatever they feel, they do get back to work, as *"at the end of the day I believe something is better than nothing. I have a job atleast".*		
"Employees were satisfied with the cuts. There was no negativity. We kept them employed. You ask a person who's a salariat…the only fear a person has is job security…if that is assured especially in current crisis that is the happiest situation for them" (R3)		

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Table 6: Categories discussed under the leadership during crisis

"They always talk about great things but they cannot put them into practice. Leaders did fall back on their promises" (R9)	Credibility issues	
Some respondents mentioned that there were lots of assurances from the top management that the organisation is recovering, things are recovering, but things never recovered.		
R3 believed that it was imperative to use *'conservative'* leadership during crisis. According to R3 conservative meant having *"limited delegation",* as crisis is a time when one needs to look at each and every decision from business point of view.	Different features of leadership that emerged during crisis	Leadership during the crisis
R5 believed that it was vital to maintain *"discipline"* during crisis. For example he said, *"When the economy is going through crisis, it affects your relations so what you need is a discipline, it could be financial discipline, it could be service discipline, it could be discipline in the way you deal with the outside world"*		
R5 mentioned that leaders at Org-Energy would address organisational member's inquiries and explain why the initiatives (implemented during recession) were required, what challenges organisation is going through, what challenges lie ahead and what steps the organisation is going to take to come out of this period.	Deliberate sense making	
R6 spoke about *"HELP EMPLOYEES HELP ORG-ENERGY"* a program started by leaders to invite employees to help and ask for their suggestions		
R7 pointed at *"BRAINWAVES"* (discussed earlier) which was started by leaders to identify gaps in the system and this information was published on the internet		
For Org-Energy, initiatives like providing explanations to employees, starting programs like *"HELP EMPLOYEES HELP ORG-ENERGY"* or *"BRAINWAVES"* were important to prompt sense making regarding the change initiatives. These efforts aid in unfreezing the schemas or cognitive frameworks to take in or integrate new knowledge and also serve as a way for the organisation to control the event in a manner that accentuates the favorable changes in the psychological contracts (Labianca et al., 2000).		
"There was clear communication. No shying away from facts" (R8)	Engaging, connecting and communicating	
"We started talking to people, involving them into decision making" (R7)		
R2 discussed various employee engagement programs started by the organisation during recession. Furthermore he mentioned that, *"The Chairman and the senior management team have reached out to people at large through various forums, town halls etc."*		
According to R10 increased communication*," brought a lot of positivity in the environment and started building the confidence of the employees".*		
According to R4, it is important to lead by example as *"employees will work an extra hour only if you are able to shoulder few of their responsibilities".*	Walking the talk	
Entire Diwali bonus was put back and leaders decided to limit their travel expenditure. According to R4, *" we had already said that we cannot keep our financial commitments and then if we were seeing taking money, flying out, taking bonus ...this and that...it would have been bad"*		
R8 mentioned that the cross-functional deployment program '*STRIVE'* was started by leaders to encourage people to take up additional responsibility in different departments. He explained it by giving the following example, *"One of our IT Head is now a project trainee for one of our SBU's....you can see the deployment that has happened".* When employees see leaders volunteering themselves and making an effort it definitely motivates them to follow their leaders' footsteps.		
"We didn't fire even a single employee" (R3)		

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"There was never a delay in payment-salaries and leaders kept their promises regarding the same" (R11)	Job security	← ___
"Insulating young people from financial difficulties" is very important (R5)		

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Table 7: Categories discussed under communication during crisis

Most of the interviewees' responses hinted at the increase in interaction in the organisation during crisis. R10 mentioned that organisation had to set up the entire *"global communication process"* during recession and that they did not have anything before that.	Positive assessment	Communication during the crisis
R3 also discussed that organisation used all communication channels during recession and used them more than they used them before recession.		
Some of the interviewees spoke about the CMD attending various forums to update employees on organisational situation. Speaking on the same R14 acknowledged, *"CMD addressing the people directly was something that was rarely seen before recession"*.		
"Organisation only shared good points. The thing is that some points they disclose and some they don't. That is not correct. They should disclose everything" (R12)	Negative assessment	
Likewise, R11 also highlighted that communication channels are missing which adds to employees' insecurity and leads to *"grapevine"*. For example, she said, *"I don't have enough information on what is happening. I really have no answers. I don't know whom to trust"*.		
R2 discussed that communication led to improved employee's engagement with the organisation and served as a *"confidence building measure"*.	Positive responses	Employees' responses to communication
"You are suspicious...what is next, what will happen. We don't know the fate of certain positions.....job security tends to set in. there's a lot of grapevine communication happening, we don't know what is actual authentic information" (R11)	Negative responses	
"Leaders were visibly trying to send only positive messages and people can see through that"(R9)		
"Organisation only shared good points. They should be aware that if they don't give us information people will be updated themselves through media, newspapers and other sources" (R12)		

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Table 8: Categories discussed under the importance of trust during crisis

R3 believed that, *"trust was established through credibility and credibility was established by working and showing results"*. He further added that leaders also established credibility by not following other organisations by *"panicking and retrenching people"*		
"Leaders have established trust by leading by example. You know if senior leaders said organisation has to do cost optimization, they led it by example, by first doing it themselves, by being honest and transparent, by constantly communicating with the employees" (R10)	Positive Assessment	
R6 thought that leaders established trust by showing, *"a lot of abstinence, a lot of self-control...and also lot of enabling and empowering activities started happening at the sites which made common Org-Energy employee feel belonged"*.		Importance of trust during the crisis
R9 was very dismissive of the leaders initiatives as he stated, *"We don't have the climate of trust"*. Speaking on organisation's communication policy, he stated, *"if you are a true professional, if you can read the market, if you are concerned about your career then you don't go exactly by what the leaders say....they might be trying to say this to keep you with them"*.	Negative Assessment	
"I am not questioning the trust, the credibility or transparency of the organisation but definitely some more information flow would be welcomed"(R11)		

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1 Managing on the Edge

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Insecurity, Complexity and Uncertainty: Investigating psychological contracts during the economic crisis

Abstract: In the psychological contract literature, qualitative research is not very common let alone in the context of the economic crisis. This study aims to enhance understanding of the changes in the psychological contracts of individuals during the economic crisis and the processual nature of the experience. It samples leaders and employees from an Energy organisation in India impacted by the Global Economic Crisis 2008 to draw out insights into their experiences of change implemented during crisis. Semi-structured interview design is employed to examine these issues and data is analyzed using the content analysis. The findings present a complicated picture of the psychological contracts in addition to highlighting a range of cognitive, emotional and behavioral responses to the change and the role of situational constraints.

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