Consequences of Psychological Contract Breach with Organisation versus Supervisor Foci

*Jean-Marie See
The School of Management, The University of South Australia, Adelaide, Australia
Email: jean-marie.see@unisa.edu.au
ABSTRACT

The primary aim of the study is to examine the conceptualisation of psychological contract breach with two distinct foci - the organisation and the supervisor. A sample of 559 nurses from three public hospitals in South Australia participated in the study. The findings revealed that organisation and supervisor breach foci were negatively related to job satisfaction but positively related to turnover intentions. Further, breach foci by the supervisor were negatively related to both in-role performance and OCB to the supervisor, but more specifically, explained additional variance in all the outcome variables over and above the effects of breach by the organisation.

Keywords: Human resource management and organisation performance, recruitment, human resource development and personnel psychology

In recent years, researchers have increasingly recognised the need to understand employees’ psychological contract. This recognition has been driven by various changes, namely: economic and political environments, workforce demographics and values of individuals (Lester & Kickul 2001). The psychological contract reflects an individual’s belief or perception that some forms of promise or reciprocal obligations have been made between the two parties, namely, the employee and employer (Robinson & Rousseau 1994). In other words, the psychological contract encompasses an individual’s perception of how he/she regards the exchange relationship in terms of promissory obligations (Rousseau 1989). While both parties believe that they have accepted the same agreement, more often than not, they do not have a common understanding of the terms and conditions underlying the employment relationship (Robinson & Rousseau 1994; Rousseau 1995). A breach of psychological contract occurs when the employee perceives that the “organisation has failed to meet one or more obligations within one’s psychological contract in a manner commensurate with one’s contributions” (Morrison & Robinson 1997, p. 230).

Extensive literature has examined the antecedents and outcomes of psychological contract breach (Robinson & Rousseau 1994; Morrison & Robinson 1997; Robinson & Morrison 2000). However, it appears that very little is known about the relevant parties (i.e. foci) around which the psychological contract is constructed. That is, with whom does the employee form the psychological contract and, more significantly, the party responsible for contract breach (i.e. organisation and/or supervisor) remains unclear. In order to address this gap, this study will focus on the ‘agency problem’. This is because to date, research has examined the organisation as the only party in the
exchange relationship (Kickul, Lester & Belgio 2004). This study is therefore guided by the following objective: to ascertain the extent to which the organisation and supervisor breach foci would influence employee outcomes.

THEORETICAL DEVELOPMENT AND HYPOTHESES
There is a need to shift the focus from the organisation to other parties as being the primary cause of contract breach. The need for such a change is attributed to a number of factors, as explained in the following paragraphs.

First, the ‘agency problem’ theory suggests that there are multiple agents representing the organisation and their specific role is to act as a ‘go-between’ in the employment relationship (Rousseau 1995, cited in Guest 1998). The problem of ‘agents’ is significant as Rousseau (1995) notes that employees react differently when it comes to who they believe constitutes the other party to their psychological contract (i.e. the organisation and/or supervisor). In other words, individuals can form psychological contracts which may be construed differently by the employer and, more importantly, may have a different understanding of who are the agents. Based on such reasoning, the contract terms conveyed by the representative agent, and in the context of the study (the supervisor) must be accurate.

Second, the literature on perceived organisation support has also made the distinction between the organisation versus the supervisor foci. It has been shown that when employees perceive that they are highly valued by the organisation (i.e. perceived organisation support or POS), in that the organisation rewards their efforts and looks after their interests, they are less inclined to leave the organisation (Eisenberger & Stinglhamber & Vandenberghe & Sucharski & Rhoades 2002). Moreover, employees look up to their supervisor for affirmation. This is because supervisors act as agents of the organisation and the positive reaction given by the supervisor is significant as it is the supervisors’ evaluations that represent the organisation’s perspective (Levinson 1965 cited in Eisenberger & Stinglhamber & Vandenberghe & Sucharski & Rhoades 2002).

Third, research on justice and commitment has also made the distinction between organisation and supervisor foci. For example, Jones (2004) found that procedural injustice predicted counterproductive behaviours directed toward the organisation, while interactional injustice predicted
counterproductive behaviours directed toward the supervisor. Along similar lines, Stinglhamber and Vanderberghe (2003) support the view that POS and PSS were strongly related to affective commitment to the organisation and supervisor respectively.

Whilst these three factors clearly outline the need to focus on the two foci - the organisation and supervisor, it is perhaps, more important to emphasise that it is the latter construct that deserves more attention. Cheng, Jiang and Riley (2003) provide evidence to strengthen this assertion in that they argue that supervisory commitment is the most influential foci. Their study revealed two important findings. First, supervisory commitment, as opposed to organisation commitment, was positively associated with job performance for both self-ratings and supervisor-ratings. Second, whilst both organisational and supervisory commitments had positive associations with organisational citizenship behaviour (OCB), it was the latter that had direct effect on this variable. Further, Chen (2001) posits that an employee’s loyalty to the supervisor was not only positively related to job satisfaction and intention to stay but, more specifically, explained additional variance in these variables over and above that of organisational commitment. In the light of these empirical findings, I propose that employees’ psychological contract will vary depending on their choice of referent (i.e. foci) and predict that the supervisor foci could be the most salient, amongst the various foci, to the psychological contract. In other words, to the extent that the supervisor is perceived to be accountable for employees’ contract breach, the severity of the consequences will be far greater than the organisation.

Turning to the consequences of contract breach, research has consistently found that psychological contract breach is negatively associated with reduced job satisfaction, organisational citizenship behaviour (Turnley & Bolino & Lester & Bloodgood 2003), reduced in-role job performance (Williams & Anderson 1991; Robinson 1996), organisational citizenship behaviour directed towards the organisation (OCB-O) and individual(OCB-I) but is positively related to increased turnover intentions (Raja, Johns & Ntalianis 2004). Social exchange theory provides useful explanations for why psychological contract breach leads to negative consequences. This theory states that both parties in the exchange relationship are bound to each other in relation to a promise or a specific course of action (Blau 1964). Consequently, when a contract breach occurs, in terms of unmet
promises, negative outcomes such as reduced organisation commitment and increased turnover intentions may arise (Shore & Barksdale 1998). Based on the empirical evidence and the social exchange theory, it is important to test the different patterns in the relationship foci between organisation and supervisor breach and outcome variables of interest. The rationale of my hypotheses is explained, as follows.

In-role performance refers to the pre-requisites that employees are expected to acquire and are formally prescribed in the traditional employment contract (Williams & Anderson 1991). I propose a negative relationship between organisation and supervisor breach foci and in-role performance. It is reasoned that when employees perceive that their organisation and supervisor have let them down in terms of unfulfilled promises, they are less likely to excel in their job. This logic may be applied more broadly, as I predict that in-role performance is predominately supervisor-focused. This is in line with Becker and Kerran’s (2003) reasoning that it is the supervisor’s responsibility to oversee employees’ specified job duties whereas the organisation, being the more distant foci, would be less relevant. Thus, the following hypotheses are presented:

**Hypothesis 1a.** Psychological contract breach foci by the **organisation** will be negatively related to in-role performance.

**Hypothesis 1b.** Psychological contract breach foci by the **supervisor** will be negatively related to in-role performance and will explain additional variance over and above that explained by breach foci by the **organisation**.

Similarly, I hypothesize that there would be a negative association between breach foci by the organisation and supervisor and job satisfaction. This is because job satisfaction refers to the positive emotional state related to one’s job (Locke 1976) and if the employee perceives a sense of breach on the part of the organisation and supervisor, this would lower their job satisfaction. Also, based on the empirical consideration that supervisor foci could be a more salient predictor (see, for example, Chen, Tsui & Zhong 2008), the following hypotheses are offered:

**Hypothesis 2a.** Psychological contract breach foci by the **organisation** will be negatively related to job satisfaction.
Hypothesis 2b. Psychological contract breach foci by the supervisor will be negatively related to job satisfaction and will explain additional variance over and above that explained by breach foci by the organisation.

In contrast, I predict that there would be a positive association between organisation and supervisor breach foci and turnover intentions. It is reasoned that when employees perceive that their organisation and supervisor do not fulfil their promissory obligations, they are more likely to leave the organisation. Again, based on prior discussion on the importance of supervisor foci, the following hypotheses are offered:

Hypothesis 3a. Psychological contract breach foci by the organisation will be positively related to turnover intentions.

Hypothesis 3b. Psychological contract breach foci by the supervisor will be positively related to turnover intentions and will explain additional variance over and above that explained by breach foci by the organisation.

Finally, I predict that there would be a negative association between organisation and supervisor breach foci and organisational citizenship behaviours (OCB). OCBs are characterised as discretionary in nature and, as such, employees can exercise more control over their performance (Organ 1988). William and Anderson (2001) posited that OCBs are two-dimensional, in that there are two beneficiaries of citizenship behaviour. Specifically, organisation citizenship behaviour directed at benefiting the organisation (OCB-O) and the individual (OCB-I). In this regard, if employees’ perceive that the organisation and supervisor have breached their contract; they will withhold this form of behaviour in terms of reduced OCB-O and OCB-S. An important point to note here is OCB-I is represented as OCB-S in the context of this study. Given that the hypothesized relationships should be at the level of the corresponding foci, therefore, psychological contract breach foci by the organisation should be a better predictor of OCB-O whilst psychological contract breach foci by the supervisor should be a better predictor of OCB-S. Consequently, the following hypotheses are posited:

Hypothesis 4a. Psychological contract breach foci by the organisation will be negatively related to OCB to the organisation.
Hypothesis 4b. Psychological contract breach foci by the supervisor will be negatively related to OCB to the supervisor and will explain additional variance over and above that explained by breach foci by the organisation.

METHOD

Research Participants

Research was conducted with nursing employees in three public hospitals in South Australia. Of the 2500 nurses surveyed, 559 participated in the study, achieving a response rate of approximately 22%. This response rate, while below the target of 30%, was considered typical as Neuman (2003) notes that for self-administered questionnaires, response rates of 10% to 50% are common. Of the respondents, more than half (89.3%) were females. There were seven different age classifications, ranging from ‘Below 21’ to ‘Over 65’. The best-represented age group was ‘36-45’ consisting of 179 participants (32%), followed by ‘46-55’ (31.7%), ‘26-35’ (20.4%), ‘21-25’ (8.8%), ‘56-55’ (6.8%) ‘Below 21’ (0.2%) and ‘Over 65’ (0.2%). Further, 41.1% and 37.6% of participants had been working in their current job and respective organisations for 1 to 5 years. Finally, more than half of the sample (59.6%) were registered nurses (RNs levels 1-9) and 10.2% held senior nursing positions, such as, clinical consultants.

Measures

All the measures in the study have been previously used in the literature and had good psychometric properties. They took the form of a 7-point Likert scale, ranging from (1) strongly disagree to (7) strongly agree. It is important to note that the measure - organisational citizenship towards the organisation (OCB-O) contained low reliability and it was preferable to drop this variable from further analysis.

Psychological contract breach

Psychological contract breach by the organisation (α =0.96) and supervisor (α =0.94) were assessed using the five items developed by Robinson and Morrison (2000). The latter construct was reworded to suit the context of the study. As such, a sample item included “I have not received
everything promised to me by my \textit{supervisor}” while a sample item of the former construct included: “I have not received everything promised to me by my \textit{organisation}”.

\textit{In-Role Performance}

In-role performance was measured using the four items developed by Williams and Anderson (1991) ($\alpha = 0.93$). A sample item included “I meet the formal performance requirements in the job”.

\textit{Job Satisfaction}

Job satisfaction was measured using a three-item scale developed by Seashore, Lawler, Mirvis and Cammann (1982) ($\alpha = 0.95$) as part of their Organisational Assessment Questionnaire. A sample item included “All in all, I am satisfied with my organisation”.

\textit{Turnover Intentions}

Turnover intention was measured using a three item scale from Meyer, Allen and Smith (1993) ($\alpha = 0.93$). A sample item included “I often think about resigning from my job”.

\textit{Organisation citizenship behaviour towards the supervisor (OCB-S)}

Organisation citizenship behaviour benefiting the supervisor was adapted from Williams and Anderson (1991) seven item scale of organisation citizenship behaviour towards the individual (1991), ($\alpha = 0.92$). A sample item included “I help my supervisor if he/she has been absent”.

\textit{Control measures}

Control variables such as age, gender and organisational tenure were included in the analysis. It was reasoned that the different demographic characteristics and the length of employment may influence the extent to which nurses perceive that their psychological contracts have been breached by the organisation and/or supervisor respectively (Robinson 1996).
RESULTS

Table 1 presents the means, standard deviations, inter-correlations and internal consistency of the study variables.

Table 1: Descriptive Statistics and Zero-Order Correlations

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td>1.89</td>
<td>.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Age</td>
<td>3.09</td>
<td>1.09</td>
<td>-.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Tenure</td>
<td>3.03</td>
<td>1.69</td>
<td>.05</td>
<td>.45 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Psychological Contract Breach Organisation</td>
<td>3.51</td>
<td>1.56</td>
<td>-.07</td>
<td>.08*</td>
<td>.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Psychological Contract Breach Supervisor</td>
<td>3.31</td>
<td>1.55</td>
<td>-.07</td>
<td>.01</td>
<td>.06</td>
<td>.60 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. In-role Performance</td>
<td>6.25</td>
<td>0.84</td>
<td>.07</td>
<td>.05</td>
<td>.07</td>
<td>-.11 **</td>
<td>-.18 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Job Satisfaction</td>
<td>5.00</td>
<td>1.45</td>
<td>.10*</td>
<td>-.04</td>
<td>-.02</td>
<td>-.57 ***</td>
<td>-.63 ***</td>
<td>.19 ***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Turnover Intention</td>
<td>2.98</td>
<td>1.91</td>
<td>-.07</td>
<td>-.03</td>
<td>.01</td>
<td>.38 ***</td>
<td>.44 ***</td>
<td>-.15 **</td>
<td>-.54 ***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Organisational Citizenship Behaviour Supervisor</td>
<td>4.87</td>
<td>1.38</td>
<td>.04</td>
<td>.03</td>
<td>.09*</td>
<td>-.18 ***</td>
<td>-.34 ***</td>
<td>.27 ***</td>
<td>.25 ***</td>
<td>-.21 ***</td>
<td>(0.92)</td>
</tr>
</tbody>
</table>

The reliability of each variable is presented in parentheses along the diagonal.

*p<.05, two-tailed, **p<.01, two-tailed, ***p<.001, two-tailed

It can be seen that, in terms of zero-order correlations, all the study variables were in the expected direction. Hierarchical regression analyses were conducted to test all the hypotheses.

Hypothesis 1a predicted that organisation breach foci would be negatively associated with in-role performance. As indicated in Table 2, no significant relationship was found between organisation breach foci and in-role performance, and thus, Hypothesis 1a was not supported. In contrast, a different pattern of relationship emerged for Hypothesis 1b. Supervisor breach foci was negatively related to in-role performance (β=-.17, p<.001), and explained an additional 2% of variance in in-role performance.
performance ($\Delta R^2=.02$, $p<.001$), over and above the effects of organisation breach foci. Hypothesis 1b was therefore supported.

Table 2: Hierarchical regression analyses between psychological contract breach with two foci and employee outcomes

<table>
<thead>
<tr>
<th>Steps and Variables</th>
<th>In Role Performance</th>
<th>Job Satisfaction</th>
<th>Turnover Intention</th>
<th>OCB - Supervisor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Gender</td>
<td>.07</td>
<td>.06</td>
<td>.09*</td>
<td>.06</td>
</tr>
<tr>
<td>Age</td>
<td>.03</td>
<td>.04</td>
<td>.03</td>
<td>-.04</td>
</tr>
<tr>
<td>Tenure</td>
<td>.05</td>
<td>.06</td>
<td>.07</td>
<td>.00</td>
</tr>
<tr>
<td>Psychological Contract Breach - Organization</td>
<td>-.11**</td>
<td>-.01</td>
<td>-.56**</td>
<td>-.30***</td>
</tr>
<tr>
<td>Psychological Contract Breach - Supervisor</td>
<td>-.17***</td>
<td>-.46***</td>
<td>.33***</td>
<td>-.34***</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.00</td>
<td>.01</td>
<td>.03</td>
<td>.01</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>.01**</td>
<td>.02***</td>
<td>.31**</td>
<td>.13***</td>
</tr>
</tbody>
</table>

Note: Standardized beta coefficients are reported for the respective steps, demographic variables (gender, age and tenure) for step 1, psychological contract breach foci by the organization for step 2 and psychological contract breach foci by the organisation and supervisor for step 3.

*p<.05, two-tailed, **p<.01, two-tailed, ***p<.001, two-tailed

Hypothesis 2a predicted that breach foci by the organisation would be negatively associated with job satisfaction. As indicated in Table 2, organisation breach foci was negatively related to job satisfaction ($\beta=-.30$, $p<.001$), indicating support for Hypothesis 2a. A similar finding arose for Hypothesis 2b. Supervisor breach foci was also found to be negatively related to job satisfaction ($\beta=-.46$, $p<.001$) and explained an additional 13% of variance in job satisfaction ($\Delta R^2=.13$, $p<.001$), over and above the effects of organisation breach foci.

Hypothesis 3a predicted that organisation breach foci would be positively associated with turnover intentions. There was support for this hypothesis as the results shown in Table 2 suggests that organisation breach foci was positively related to turnover intentions ($\beta=.20$, $p<.001$). With respect to Hypothesis 3b, there was a positive association between supervisor breach foci and turnover intentions ($\beta=.33$, $p<.001$) and explained an additional 7% of variance in turnover intentions ($\Delta R^2=.07$, $p<.001$) over and above the effects of organisation breach foci.
Finally, Hypothesis 4b predicted that supervisor breach foci would be negatively associated with OCB to the supervisor and would account for additional variance in OCB to the supervisor over and above that explained by the organisation. Specifically, it was found that, psychological contract breach foci by the supervisor was negatively related to OCB-S (β=-.34, p<.001) and explained an additional 8% in this variable (ΔR²=.08, p<.001), over and above the effects of organisation breach foci. Hypothesis 4b was thus supported.

DISCUSSION

The findings provide support for all but one of the predicted hypotheses and in so doing, confirmed Rousseau’s (1995) assertion of the distinctive roles of ‘agents’ within the psychological contract dynamics. Specifically, the findings suggest that it was indeed the case that both the organisation and immediate supervisor could be perceived to constitute the employer’s ‘end of their bargain’ and, as such, may have some direct influence in the employment relationship. In particular, the findings reveal that breach associated with the supervisor foci is more harmful as it explains additional variance in all the outcome variables over and above organisation breach foci.

Similar patterns of relationships existed when Hypotheses 2a, 2b, 3a, 3b and 4b were tested. That is, organisation and supervisor breach foci were negatively related to job satisfaction but positively related to turnover intentions. There was also a negative association between supervisor breach foci and OCB to the supervisor and most notably, the former construct explained additional variance in all the outcome variables over and above the effects of organisation breach foci. The findings confirm previous research that examined the relationship between psychological contract breach and the negative consequences that may occur (see, for example, Robinson 1996, Robinson & Morrison 1997). These findings also reinforce the fact that employees develop relationships with other foci in their work environment, apart from the organisation, and develop a closer bond with their immediate supervisor.

Interestingly, however, there was no association between organisation breach foci and in-role performance (Hypothesis 1a). One useful explanation for this finding could be attributed to the fact that in-role performance reflects the necessary skills and abilities that are expected of employees, regardless of their commitment, or lack thereof, to the organisation (Williams & Anderson 1991).
Consequently, it logically follows that employees closely associate themselves with their direct supervisor who is seen as their ‘first point of contact’ within the employment relationship (Kotte & Sharafinski 1988). This line of reasoning is consistent with Hypothesis 1b in that there was not only an association between supervisor breach foci and in-role performance but the supervisor was a more salient predictor over and above the organisation foci in in-role performance. This finding demonstrates a closer link between predictor variables and outcomes variables at the level of the same foci and validates Becker and Kerran’s (2003) claim that the supervisor plays a more dominant role in influencing employees’ behaviour, specifically in terms of in-role performance, than the organisation.

These findings, taken together, have theoretical and practical implications. The main theoretical implication gives support to Guest’s (1998) contention that there is a heightened need to consider other parties, (in the context of this study, the supervisor) who may be responsible for the creation of a psychological contract. This therefore gives credence to the argument that supervisor foci within the psychological contract literature should be explored in future research. From a recruitment and retention perspective, the organisation (i.e. hospital management) and particularly, the supervisor should convey realistic expectations to employees at the interview stage. This would ensure that all parties to the psychological contract have a mutual understanding of what is expected and delivered, and more importantly, the supervisor should ‘bridge any gaps’ in perceptions that may exist.

There are a number of limitations to this study. First, this study was cross-sectional and hence limits the ability to draw casual inferences. Second, data were based on self-report ratings, which would lead to same-source bias effect (Podsakoff & Organ 1986). Third, the study utilised the global measures of psychological breach and, as such, the specific type of contract that was breached (i.e. relational versus transactional) could not be identified.

Overall, the study highlights the significance of the pivotal roles of the different foci to the psychological contract (i.e. the organisation and supervisor) and the impact these foci have on employee outcomes. Without diminishing the importance of the organisation in fulfilling the expectations of nurses, a noteworthy point to make is the influential role of the supervisor in managing nurses’ psychological contract. As it is never easy to reconcile the differing expectations of
employees, it is for this reason that the immediate supervisor should endeavour to develop an effective working relationship with their subordinates.
REFERENCES


Locke EA (ed.) 1976, The nature and causes of job satisfaction Rand-McNally, Chicago


