On the Potential Negative Effects of High Commitment Management: A Psychological Contract Perspective

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**Submission Type:** Refereed paper  
**Stream:** HRM  
**Presentation Format:** Paper presentation
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ABSTRACT

This paper explores the potential negative effects that a high commitment management (HCM) approach to employee management may have on the employment relationship and employee work behaviour. Drawing upon psychological contract theory, we propose that HCM practices create a more positive psychological contract than that created using traditional command-and-control HRM practices. However, we contend that psychological contract breaches will be perceived to occur more often for HCM practices than for traditional HRM practices. We further suggest that breaches of psychological contracts built upon HCM practices will lead to more negative employee outcomes compared to breaches of contracts built upon traditional HRM practices. Finally, we propose that the negative effects attributable to breaches of HCM contracts can be mitigated by fair procedures and interpersonal treatment.

Keywords: High commitment management, psychological contracts, justice

It would be almost superfluous to suggest that the nature of the employment relationship has changed considerably over the past twenty years. Where once it was possible to describe the traditional employment relationship and its characteristic exchange of job security for organisational loyalty and steady reward for performance, changes in the nature of work and peoples’ expectations of work itself has seen the emergence of a new employment relationship. For organisations, an increasingly competitive business environment necessitates a greater emphasis on short-term employment contracts and rewards based upon intense performance. For workers, a new expectation of what constitutes success means organisations are increasingly faced with a shrinking labour pool who view quality of life and personal growth as at least as important as lifetime employment and regular promotions from within.

Changes to expectations of the employment relationship thus present a challenge to organisations. How can organisations derive loyalty and performance from organisational members when they themselves are less able to provide the long-term job security and other valued career opportunities once expected from organisations? Some organisations have responded to the challenge by implementing what have variously been termed high commitment or high performance management practices (Huselid, 1995; Wood & Albanese, 1995). High commitment management (HCM) includes such practices as participative decision-making, extensive professional development,
and merit based rewards. Typically it is assumed that HCM serves to aide organisational functioning by creating a more involved and committed workforce, one in which work behaviour is primarily self-initiated and self-monitored rather than controlled by the sanctions and controls of traditional Tayloristic management methods (Wood & Albanese, 1995). While HCM aims to increase effectiveness and productivity by encouraging employees to identify with the organisation’s goals and to work hard to accomplish those goals (Arthur, 1994), the traditional control approach aims to increase efficiency and reduce direct labor costs by relying on strict work rules and procedures and by basing rewards on measurable outputs (Walton, 1985). Theoretically speaking, many have argued that the implementation of progressive HRM practices like HCM represents an attempt by organisations to create and manage the psychological contract (Rousseau & Greller, 1994; Guest & Conway, 2002) and the ensuing exchange relationship that this brings.

Psychological contracts have become a popular means for conceptualising and managing employment relations. Instead of limiting focus to the formal contract (e.g., hourly pay rates, working conditions), the psychological contract provides an opportunity to explore the processes and content of the employment that, in the words of Fox (1974), go ‘beyond contract’. As Kalleberg and Rogues (2000) noted, “the notion of the psychological contract has proved useful for understanding employment relations, since many of their important aspects are based on perceptions: most employment relations are implicit or at least not written, and thus parties may have different understandings of them” (p. 316-317). In essence, the psychological contract reflects employees’ perceptions of the mutual expectations and obligations between themselves and their employer. Obviously, such a definition suggests a firm’s human resource management practices allow an organisation to communicate to employees the proposed contract, including the organisations promises on the one hand (e.g., to train, promote and reward), and expectations on the other (e.g., to perform to some standard, to learn new skills) (Guzzo & Noonan, 1994). High commitment management practices, in particular, allow an organisation to foster the contemporary psychological contract, one that fits with the modern day employee’s work preferences and values (e.g., development of skills, greater participation, work-life balance).
Despite the purported benefits of a high commitment approach to employee management, however, we contend that the provision of such practices has the potential to damage employer-employee relations. In essence, we argue that high commitment management practices like job security and merit-based promotions reflect significant promises that organisations typically cannot provide. Even with the best of intentions, the state of turbulence and uncertainty characteristic of the modern business environment make it difficult for organisations to fulfill the obligations that they make to employees through the use of HCM practices. In effect, the high commitment management approach to people management reflects a paradox. The attention afforded to high commitment management practices has been due to the positive effects these practices have been shown to have on organisational performance. Theoretically, the positive effects associated with high commitment management practices are due to their positive impact upon attitudinal reactions to the organisation (e.g., organisational commitment, perceived organisational support) (Knight-Turvey, 2005; Meyer and Smith, 2001, Agarwala, 2003; Gould-Williams, 2004). Yet the question arises as to what happens to these same attitudinal reactions when organisations fail to deliver on the promises implied in many of the HCM practices referred to within the literature (e.g., job security, promotional opportunities, investments in employee development)? Not only do we expect these contract breaches to occur quite frequently, particularly given the nature of HCM practices, but we also suggest that the negative effects normally associated with contract breach are likely to be amplified with breaches associated with HCM practices. HCM practices are likely to be perceived by employees as particularly attractive and the failure of an organisation to deliver them when promised is likely to be met with more negative appraisals than that associated with more traditional HRM practices.

The purpose of the present paper then is to explore the possible negative consequences of high commitment management practices on employee outcomes given such practices may reflect organisational promises that are too great to deliver. However, given that there is a substantial body of evidence linking HCM practices with organisationally beneficial outcomes, we attempt to provide direction as to how such practices may be implemented and subsequently altered simultaneous to limiting perceived violations of the psychological contract implied by these practices. Here we
propose justice will play an important role in moderating the relationship between psychological contract breaches and employee level outcomes. To this end, the paper first presents a brief overview of the high commitment management approach to managing employees and its expected relationship with the psychological contract. Next, the effects of psychological contract breaches on employee outcomes in the context of HCM are presented. Finally, the role of using fair and just procedures in altering HCM practices, and the promises implicit to these practices, is discussed.

HIGH COMMITMENT MANAGEMENT AND PSYCHOLOGICAL CONTRACTS

Since the early 1990s, there has been a considerable growth in academic interest and research in a range of progressive human resource management practices, termed ‘high commitment’ management practices. Such practices include: participative decision making, training and development, selective staffing, communication, job security, merit-based promotions and teamworking. High commitment management practices are built around efforts to manage organisational culture and ensure that workers function efficiently within and for this culture, and emphasise the importance of developing a sense of identity through involvement in shared organisational goals (Guest, 2002). A considerable amount of research conducted over the last decade has shown high commitment management practices, and other similar practices such as high performance, high involvement, and progressive HRM practices, to be related to a variety of organisationally beneficial outcomes, including above average market returns, profitability, productivity, and reduced levels of employee turnover (e.g., Snell and Dean, 1992; MacDuffie, 1995; Guthrie, 2001; Bartel, 2004).

Theoretically, it is assumed that HCM practices create the conditions for employees to become highly involved in the organisation and identify with its overall goals (Wood & DeMenzies, 1998) – in other words, by increasing their employees’ commitment to the organisation (Whitener, 2001). Highly committed employees are expected to perform consistently at a high level, as well as show initiative and a willingness to expend extra effort towards reaching organisational goals (Walton, 1985). In effect, commitment oriented HRM practices influence the quality of the social exchange relationship between employees and the employing organisation. Based on social exchange theory (Blau, 1964)
and the norm of reciprocity (Gouldner, 1960), Eisenberger, Fasolo, and Davis-La Mastro (1990) suggested employees develop a sense of obligation to respond favourably (e.g., performing well, remaining with the organisation, etc.) to favourable treatment from their employer. HRM practices are one means by which an organisation is able to demonstrate its assessment of and commitment to employees. Thus, HCM practices have the potential to favourably influence perceptions of what the organisation is like to work for, and in turn, the nature of the psychological contract.

The psychological contract is a form of employee/organisation exchange, which focuses on employee perceptions of mutual obligations between employee and employer (Rousseau, 1990). In essence, the psychological contract is a perceived agreement between two parties, consisting of the obligations that employees believe their employers owes them (e.g., pay for performance, promotional opportunities, access to company information) and the obligations the employees believe they owe their organisation in return (e.g., attendance, job performance, loyalty) (Turnley, Bolino, Lester & Bloodgood, 2003). Psychological contracts include obligations for which employees have reason to believe that a specific promise has been made (e.g., that loyalty will be rewarded with job security) (Morrison and Robinson, 1997). Such promises are not always explicitly stated, rather they may be inferred from the employer’s actions such as through the choice and implementation of specific human resource management practices (Rousseau, 2001). Guzzo and Noonan (1994) argued that an employee’s assessment of the status of his or her psychological contract is a result of the systematic, deep processing of what HR practices convey to that employee. Prior research has demonstrated that HRM practices are indeed a significant antecedent shaping the nature of the psychological contract (see, for example, Sels, Jansens & Van den Brande, 2004; Rousseau & Greller, 1994).

In the present paper, we suggest that more favourable psychological contracts will develop in organisations that implement high commitment management practices, or other similarly progressive people management techniques. HCM is characterised as a more people-centred approach to employee management compared to traditional command-and-control HRM (e.g., autonomy as opposed to close supervision, broadly defined jobs as opposed to narrow job descriptions). Under HCM employees are seen as valuable contributors to organisational success and are treated as such. In contrast, traditional
HRM models are more likely to portray employees as variable costs to be minimised (Wood & de Menzies, 1998). In essence, HCM practices communicate to employees that they are valued by the organisation and that the organisation is committed to them. As such, it is expected that the psychological contracts shaped by HCM practices will be more positive than contracts formed under a command-and-control approach to people management. However, we contend that HCM practices, whilst developing more positive psychological contracts, also possess the potential to lead to more negative consequences for the organisation-employee relationship should the contracts based upon such practices be breached.

**PSYCHOLOGICAL CONTRACT BREACH**

Psychological contract breach relates to an employee’s belief or perception that the organization has failed to fulfill one or more of its obligations (Morrison and Robinson, 1997). According to Morrison and Robinson, ‘perceived breach refers to the cognition that one’s organisation has failed to meet one or more obligations within one’s psychological contract in a manner commensurate with one’s contributions’ (1997, p. 230). From the employee’s perspective, a contract breach creates inequality in the employment relationship leading him/her to take actions to rebalance the employment relationship (Robinson, 1996). That is, when employees believe the psychological contract has been breached by the organization, their beliefs about contributions owed are lower. Breaches of psychological contract may occur in the absence of actual breach and across many areas of organisational life. This perception of breach is what affects consequent employee attitudes and behaviours regardless of whether or not they are accurate, and, have been found to result in employee withdrawal or engagement in anti-role behaviour such as negativism, theft, harassment, sabotage and vandalism (McLean Parks and Kiddler, 1994). For example, according to Brockner (1992), the traditional psychological contract implies a lifetime employment in return for hard work and loyalty, and when an organization downsizes, the organization breaks this contract, and becomes associated with various negative outcomes. Further, Herriot, Manning and Kidd (1997) suggest that the consequences of psychological contract breach are serious enough to require remedial action from organizations.

Examples of a psychological contract breach include: training experience not as promised,
discrepancies between promised and realized pay, and employees given less responsibility than promised.

Psychological contract theorists emphasize the role of perceived failure of the organization to keep its promises as a key antecedent of employees’ dissatisfaction and poor performance (Rousseau, 1989, 1995; Morrison and Robinson, 1997). Additionally, Rousseau (1995) theorised that psychological contracts are a key influence on behaviour at work, and that they are especially applicable and significant to discretionary work behaviour. Similarly, Ang, Van Dyne, and Begley (2003) point out that discretionary acts end unexpectedly when psychological contract breaches by the employer become apparent. Coyle-Shapiro and Kessler (2000) examined the content and state of the psychological contract from both the employee and the employer perspective by conducting two surveys in a large local authority, responsible for the provision of a wide range of public services in the South East of Britain. The key findings of their research showed that the majority of employees have experienced contract breach. Overall, their results indicated that employees redress the balance in the relationship through reducing their commitment and their willingness to engage in discretionary behaviour when they perceive their employer as not having fulfilled its part in the exchange process. This is consistent with social exchange theory in which individuals strive for balance in their exchange relationships (Blau, 1964).

Guzzo and Noonan argued that, ‘much of the information employees rely on to assess the extent to which their psychological contracts are fulfilled comes from the HR practices of the employer’ (1994, p. 452). Along these lines, several empirical studies of psychological contracts (e.g., Robinson, Kraatz and Rousseau, 1994; Robinson, 1996; Guest, 1998a) have used employees’ perceptions of HRM practices in measuring perceived breach of the psychological contract. In those studies, an employee’s perceived breach of the psychological contract in terms of HRM practices was found to have significant effects on individual attitudes and behaviours. Human resource management practices are the primary means by which organizations invest in their employees (Cascio, 1991). Yet, as organizations respond to ever-changing business environments, changes to HRM practices will necessarily take place and threaten many of the job related promises implicit in those practices (e.g.,
job security). When this occurs, employees will reappraise the existing psychological contract in order to re-evaluate and renegotiate both their own and their employer’s obligations (Rousseau and McLean Parks, 1993). Employees who feel that a promise from the organisation has been broken (e.g., the failure to offer extensive professional development or the failure to promote based upon performance as opposed to seniority) may respond by limiting their work effort or by withdrawing positive discretionary behaviours (e.g., acts of citizenship behaviour).

Research has shown that the incidence of psychological contract breaches is quite common. Robinson and Rousseau (1994), for example, found that 54.8 per cent of their sample of managers perceived that their organizations had failed to fulfill one or more promised obligations in the first two years of the employment relationship (p. 245). Thus, it becomes apparent that organisations will always be faced with the need to breach psychological contracts and that such breaches are common occurrences within the employee-employer relationship. Not only do we suggest that this will be even more the case for HCM practices, but we also propose that such breaches will be viewed as more severe by employees relative to breaches of contracts built around more traditional HRM practices. By their very nature, we contend that HCM practices can often be viewed as promises that organisations quite simply often cannot keep. For instance, a key HCM practice is argued to be job security (Gould-Williams, 2004). Yet a large proportion of organisations are faced with structural changes that prohibit the provision of job security (e.g., downsizing, mergers). Downsizing and the flattening of organisations likewise inhibit the ability to provide employees with career opportunities, another people management practice inherent to the HCM approach. Unfortunately, these are the realities of the modern business environment. Of course, this is not to suggest that organisations should restrict their uptake of HCM practices. After all, such practices have been shown to be positively associated with many organisationally beneficial outcomes. Instead, organisations need to recognise that the implementation of a given HCM practice conveys a certain promise to employees. Such promises are integral to the quality of the employment relationship and should be managed in recognition that they may need to be altered or indeed, broken altogether. Here we suggest organisations can limit the
negative consequences of psychological contract breach by drawing upon the organisational justice literature.

**ORGANISATIONAL JUSTICE**

Researchers have recently suggested that the strength of the emotional and behavioural reactions that follow a contract breach may be moderated by how fairly an individual is treated by the organization (Morrison and Robinson, 1997; Kickul, Lester and Finkl, 2002). Workers are believed to evaluate organizational fairness by: (1) evaluating the fairness of the outcomes they receive from the organization (distributive justice) (Folger and Konovsky, 1989). Distributive justice deals with the distribution of rewards or resources to individuals (Homans, 1961). Thus, a psychological contract breach can be considered as a form of distributive injustice where specific promises and outcomes have not been fulfilled (Morrison and Robinson, 1997); (2) evaluating the fairness of the process by which a decision is made (procedural justice) (Konovsky, 2000). Procedural justice generally refers to the fairness used in making and implementing decisions and policies (Lind and Tyler, 1988); and (3) evaluating the quality of interpersonal treatment they receive from a decision maker or authority during the application of organizational procedures (Bies and Moag, 1986; Tyler and Bies, 1990).

Individuals care about the procedures used and how they are treated within an organization. If employees believe that they are being treated fairly, then that reaffirms their belief that they are valued members in the organization. Research indicates that when the decision procedure is fair and when individuals are dealt with in a fair and honest manner, employees are more likely to accept the outcome of the decisions and trust leadership (Korsgaard, Scweiger and Sapienza, 1995). For example, Brockner, DeWitt, Grover, and Reed (1990) reported that when managers provided a relatively clear explanation of reasons for a layoff, survivors showed greater organizational commitment especially when the layoff was perceived to be unexpected. Thus, Morrison and Robinson (1997) suggest that procedural and interpersonal fairness will mitigate against a psychological contract breach. As such, we argue that employees’ psychological contracts are likely to be threatened and breached when the organisation fails to deliver what it promised as part of its HCM approach, but that negative reactions may be lessened by fair procedures and treatment (i.e., fair procedures and
interpersonal treatment when altering specific HCM practices and the promises implicit within them).

In effect, the level of organisational justice present in management decisions about the implementation, alteration and/or withdrawal of HCM practices will be directly related to the quality of the resulting social exchange relationships between employees and their employing organisation (Tekleab, Takeuchi, & Taylor, 2005).

Subsequent to the previous discussion, we make the following propositions regarding high commitment management, psychological contracts, contract breach, and organisational justice:

**Proposition 1.** More favourable psychological contracts will develop in organisations that implement high commitment management practices as opposed to traditional command-and-control human resource management practices.

**Proposition 2.** Violations of the psychological contract attributable to HCM practices will be perceived to occur more often than violations attributable to more traditional HRM practices.

**Proposition 3.** Violations of the psychological contract attributable to HCM practices will be perceived to be more severe than violations attributable to more traditional HCM practices.

**Proposition 4.** Violations of the psychological contract attributable to HCM practices will result in the withdrawal of positive discretionary behaviour (e.g., OCB) and the display of negative discretionary behaviour (e.g., workplace deviance). Such effects are not expected to occur when violations of traditional command-and-control HRM practices occur.

**Proposition 5.** The negative effects attributable to contract violations in the context of high commitment management can be inhibited by fair and just procedures applied in the withdrawal or alteration of a given HCM practice.

**CONCLUSIONS**

High commitment management has been widely portrayed as an effective means of creating positive employment relationships in an era of increasingly competitive business environments. What have typically been ignored in the HCM literature, however, are the possible negative ramifications of a commitment-oriented strategy to managing employees. In this paper we have suggested that whilst HCM practices may indeed foster more positive psychological contracts than what traditional HRM
practices can bring, they are also more likely to result in perceptions of contract violations as well as more negative consequences for both the employment relationship and employee level outcomes. Given the potential benefits of a high commitment management approach to employee management, however, we suggest the application of fair procedures and interpersonal treatment when altering or withdrawing HCM practices can help mitigate the negative consequences that this may otherwise bring. In conclusion, while the relationships between HCM and a variety of organisationally beneficial outcomes has been well documented, very little research has been conducted examining the potential negative implications of HCM. We trust that future research will help further our understanding of the potential, and potentially paradoxical, effects of high commitment management practices on the psychological contract and employee level outcomes.
REFERENCES


