



**The Development of Psychological Contract Breach and Violation:
A Social Exchange Approach**

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ABSTRACT

This study attempts to integrate social exchange and psychological contract theory by examining how the quality of an individual's relationship with the overall organization (POS) and his or her leader (LMX) moderate the relation between perceptions of contract breach and feelings of violation. We hypothesized that relationship quality (captured by POS and LMX) would be negatively related to perceptions of contract breach and would moderate the relationship between contract breach and violation. We also hypothesized that contract violation would be negatively related to affective commitment and trust in the organization, and positively related to intent to leave. Finally, we predicted that feelings of violation would mediate the effects of contract breach on these work outcomes. Using a longitudinal survey from 159 employees, our results suggest that POS and LMX at Time 1 are negatively related to perceptions of contract breach at Time 2. POS at Time 1 moderated the relationship between contract breach and violation at Time 2. Perceived violation was negatively related to affective commitment and trust in the organization, and positively related to intent to leave at Time 2. Violation fully mediated the effects of contract breach on affective commitment and trust in the organization and partially mediated the effect of contract breach on intent to leave. The findings suggest that psychological contract breach can be viewed as an event (or series of events) that occurs within the context of the relationship an individual develops with agents and the overall organization.

KEYWORDS: Social exchange; Psychological contract breach and violation; POS; LMX.

The Development of Psychological Contract Breach and Violation: A Social Exchange Approach

Underlying the employee-organization relationship is the psychological contract, reflecting an unwritten agreement about the reciprocal elements of exchanges existing between an individual employee and the employing organization (Rousseau, 1995). Rousseau defines the psychological contract as “individual beliefs shaped by the organization, regarding the terms of an exchange agreement between individuals and their organizations” (Rousseau, 1995, p. 9). A prominent stream of research has focused on the consequences of perceived contract breach (Conway & Briner, 2002; Lester, Turnley, Bloodgood, & Bolino, 2002; Robinson & Rousseau, 1994), providing empirical support for the negative consequences of contract breach on employee attitudes and behavior. These results also indicate the important role that the reciprocity norm plays in the employment relationship (e.g., Coyle-Shapiro & Kessler, 2002; Robinson & Rousseau, 1994; Turnley, Bolino, Lester, & Bloodgood, 2003). However, relatively little is known about the conditions that give rise to perceptions of psychological contract breach and the process through which breach leads to feelings of violation. Furthering our understanding of both of these domains has important implications for both the management of the psychological contract and understanding how employees interpret their organizational experiences.

Emerson (1976) describes exchange theory as “a frame of reference that takes the movement of valued things (resources) through a social process as its focus” (p. 359). In order to perceive, meet, and experience the fulfillment of contractual obligations, an employee must naturally engage in some type of an exchange process, or relationship, with the organization. As a collective entity, “the organization” is comprised of key representatives, whose role it is to orient and facilitate employee contributions and subsequently distribute organizational rewards. In the minds of employees, leaders often become the personified

referent of the organization (Liden, Bauer, & Erdogan, 2004) and play a central role in accommodating the needs of employees in order to attain overall organizational goals (Chemers, 2001). Although leaders do not serve as a direct party in the psychological contract between the employee and the organization (Morrison & Robinson, 1997), they are often tasked with making decisions regarding the distribution of resources within the organization (Yukl, 2006). Thus, when exploring the effects of social exchange relationships on perceptions of and reactions to psychological contract breach, it is important to consider both the dyadic relations between an employee and the organization as well as between an employee and his or her leader as both are important relationships in the workplace.

This study aims to contribute to psychological contract theory by responding to a call for research that treats cognitions (perceptions of contract breach) and emotional responses (violation) as unique constructs and examines potential moderators of the breach to violation process (Morrison & Robinson, 1997). We make the argument that “the relationship” in which the breach occurs might serve as a useful lens for exploring how social influences impact employee reports of and reactions to breach. Specifically, we examine how social exchange relationships with the organization and one’s leader (operationalized as POS and LMX, respectively) influence perceptions of contract breach and their moderating role in the process through which breach perceptions lead to feelings of violation. In addition, we elaborate on the consequences of contract breach by examining the role of violation in accounting for employee reactions to perceived contract breach.

THEORY

Social Exchange Theory as a Conceptual Foundation for the Employment Relationship

Researchers have increasingly adopted social exchange as a theoretical foundation for understanding relationships between individuals and their organizations (Coyle-Shapiro & Conway, 2005). In fact, social exchange theory is arguably one of the fundamental

conceptual paradigms in understanding behavior in organizations (Cropanzano & Mitchell, 2005). Not surprisingly, a number of exchange related frameworks have their theoretical roots in social exchange theory – perceived organizational support, leader-member exchange, and psychological contracts.

Although there are a number of contributors to social exchange theory (Coyle-Shapiro & Conway, 2004), most researchers draw upon the work of Blau (1964) and Gouldner (1960) in describing social exchange relationships. Blau (1964) distinguished social exchange from economic exchange, presenting the former as involving unspecified obligations – “favors that create diffuse future obligations, not precisely defined ones, and the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it” (Blau, 1964, p. 93). The underlying process of social exchange relationships relies on the norm of reciprocity (Gouldner, 1960) whereby individuals reciprocate benefits received such that over the course of time, there is a cycle of benefits received generating an obligation to reciprocate, discharging obligations through the provision of benefits and so on. As Cropanzano and Mitchell (2005) point out, there is some theoretical ambiguity concerning the relationship between “exchanges” and “relationships”. In other words, do exchanges alter the nature of relationships or do relationships alter the nature of the exchange? This ambiguity in causal ordering can be traced back to the work of Blau (1964) and Gouldner (1960). Gouldner (1960) viewed the content of the exchange as influencing the process of the exchange while Blau (1964) viewed the process as influencing the content of the subsequent exchange (Coyle-Shapiro & Conway, 2004). As Cropanzano and Mitchell (2005) note, there is likely to be a reciprocal link between exchanges and relationships whereby the exchange may facilitate the development of or disruption in the relationship and the relationship itself may influence what is exchanged.

In accounting for perceived contract breach, psychological contract theory provides a way of viewing exchange relationships as a sequence of events (or transactions) and describes how these events (broken promises/fulfilled promises) may disrupt or enhance the quality of these relationships (Coyle-Shapiro & Conway, 2004). Conway and Briner (2002) employed this view of psychological contracts, and using a daily diary methodology, found support for the effects of contract breach on daily mood and feelings of betrayal and hurt. However, the authors did not examine how an individual's global relationship quality influenced his/her perceptions of, or responses to, breach.

One approach to this line of inquiry is to conceptualize psychological contract breach as an interruption in an ongoing relationship that occurs as a result of the cognition of a single, or series of unmet promises. This view, though, brings to light a need to accurately capture and describe the overall relationship quality in which the obligations defined by the psychological contract are formed, met, and assessed. The quality of the social exchange relations that develop between employees and their respective organizations (POS) and leaders (LMX) may serve as partial indicators of the quality of the "overall" exchange relationships in which psychological contracts reside.

POS, defined as employees' "global beliefs concerning the extent to which the organization values their contributions and cares about their well-being" (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p. 501), captures the quality of the relationship an individual perceives he/she has with the organization. According to Eisenberger et al. (2004), the quality of perceived organizational support is influenced by the favorableness and the specificity of the treatment given, as well as the need(s) of the recipient. According to organizational support theory, when employees perceive that the organization is supportive, they will reciprocate by helping the organization achieve its goals (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). Suggesting the presence of an underlying norm of

reciprocity, a positive relationship has been found between POS and organizational commitment (Eisenberger, Fasolo, & Davis LaMastro, 1990; Shore & Tetrick, 1991; Shore & Wayne, 1993), in-role performance (Eisenberger et al., 1990; Eisenberger et al., 1986), and organizational citizenship behavior (Moorman, Blakely, & Niehoff, 1998; Shore & Wayne, 1993; Wayne, Shore, & Liden, 1997), and a negative relationship with absenteeism (Eisenberger et al., 1986).

LMX captures the quality of the interpersonal relationship that evolves between the employee and his/her immediate manager within a formal organization (Graen & Scandura, 1987). LMX theory and empirical research stems from the assumption that leaders form qualitatively different relationships with different subordinates (Sparrowe & Liden, 1997). LMX theory suggests that, rather than treating all subordinates alike, leaders differentiate between subordinates, forming relationships that range from being based strictly on contractual transactions to relationships that involve the exchange of resources and support that extend beyond the formal job description (Liden & Graen, 1980). Empirical evidence confirms that high-quality LMX leads employees to engage in behaviors that are beneficial to managers and the organization, such as organizational citizenship behaviors (Deluga, 1994; Settoon, Bennett, & Liden, 1996; Wayne et al., 1997), performance, and organizational commitment (Dienesch & Liden, 1986; Scandura & Graen, 1984; Wayne, Shore, Bommer, & Tetrick, 2002). Moreover, a key component of a high-quality leader-member exchange appears to be interpersonal trust (Deluga, 1994; Dienesch & Liden, 1986). Similar to POS, high quality relationships with immediate supervisors prompt reciprocation in the form of positive attitudes and behaviors.

In summary, we conceptualize POS and LMX as capturing the quality of the relationship an individual has with the organization and his/her leader and psychological contract breach as an interruptive event in that relationship.

HYPOTHESES

Relationship Quality as an Antecedent to Breach

Psychological contract theory proposes that there are two root causes of perceived psychological contract breach: reneging and incongruence (Morrison & Robinson, 1997). Either may lead to the perception of a contract breach by creating a discrepancy between an employee's understanding of what was promised and the employee's perception of what he or she has actually experienced. Additionally, it has been asserted that the nature of the exchange relationship (i.e., transactional or relational) between an employee and the organization will influence employee vigilance in detecting breach. For breach to be detected, the employee needs to actively monitor how well the organization is fulfilling his or her psychological contract (Morrison & Robinson, 1997). Drawing from Ekeh (1974) and O'Connell (1984), Morrison and Robinson (1997) state that immediate reciprocation of specified obligations define transactional exchange relationships, while relational exchanges are unbounded by these temporal constraints.

While we acknowledge the role of incongruence and reneging in the development of perceived breach, we argue that the quality of the relationship an employee has with the organization and the supervisor will also influence their perceptions of and reactions to contract breach. Because we operationalize relationship quality as perceptions of *social exchange relationship quality*, these arguments also address the influence of the nature of exchange relationships (transactional or relational) on perceptions of breach and its related outcomes.

We provide three explanations of why POS might be negatively related to perceived contract breach. First, the psychological contract literature highlights that employment promises that give rise to perceived obligations are often vague, ambiguous, incomplete and subject to change (Morrison & Robinson, 1997, 2004; Rousseau & Greller, 1994). These

features imply that employment obligations and their evaluation are subject to interpretation and sense-making processes that are inherently subjective and imperfect (Morrison & Robinson, 2004). In some cases, the evidence that the organization has broken an employment promise is clear (e.g., a specific promotion). However, when employees are given promises that are vague or ambiguous (e.g., flexibility in work schedules), the evaluation of fulfillment is highly subjective and imperfect because it relies on interpretation and sense-making processes. Consequently, when an employee must evaluate the extent to which the organization has fulfilled obligations that are vague, ambiguous, incomplete, or subject to change, he or she may or may not give the organization the benefit of the doubt in deciding whether a psychological contract breach has occurred (Aselage & Eisenberger, 2003). An employee with high POS is more likely to believe that the organization has her best interests at heart and, in turn, would be inclined to believe that the organization has fulfilled these obligations. In other words, employees with high POS might exhibit a positive bias in evaluating the organization's fulfillment of its obligations (Coyle-Shapiro & Conway, 2005).

Second, the research on trust suggests that POS will be related to perceptions of breach. Blau (1964) notes that the transactions that occur within social exchange relationships lead to the development of trust between exchange partners. Consequently, employees with high POS might engage in less monitoring because they would have less reason to be suspicious of the organization's intentions to fulfill its obligations (Coyle-Shapiro & Conway, 2005; Morrison & Robinson, 1997; Rousseau, 1995). On the other hand, we expect that employees having low POS are more likely to perceive a breach. Employees in low quality exchange relationships may lack trust in their organizations and may grow to expect that the organization will renege on its obligations. In an effort to prevent such renegeing, or to respond to it when and if it occurs, the employee may vigilantly monitor how

well the organization is fulfilling its promised obligations (Robinson & Morrison, 2000).

This heightened vigilance is expected to increase the likelihood that the employee will perceive a breach of his or her psychological contract.

Third, relational exchanges are governed by “norms of non-instrumental concern” in which exchange partners are not as concerned with the immediacy of reciprocation as they are in more transactional, or purely economic relationships (Morrison & Robinson, 1997, p. 238). Employees in low quality social exchange relationships, based on transactional exchanges, may have precise expectations regarding the nature and timing of their organizational rewards. For this reason, they may be more likely to actively monitor the organization’s fulfillment of its obligations. Consequently, , they will be more sensitive to realizing that a breach has occurred (Morrison & Robinson, 1997).

In summary, we argue that individuals will pay attention to information that confirms their prior beliefs and ignore information that is disconfirming (Eagly & Chaiken, 1993). Thus, individuals in highly supportive relationships will be more likely to overlook or ignore breach when it occurs. Additionally, individuals with less social and more economic relationships with the organization will pay more attention to events that relate to their short-term expectations, increasing the likelihood for perceiving breach. For these reasons, we propose:

Hypothesis 1a: POS is negatively related to perceived contract breach.

An employee’s relationship with his/her immediate supervisor is also hypothesized to affect perceived contract breach. As suggested by Tekleab and Taylor (2003), a high-quality exchange relationship with an individual’s supervisor may provide many opportunities to discuss reciprocal obligations. Additionally, these high quality relationships engender the level of trust needed to take advantage of these opportunities. In their study, Tekleab and

Taylor (2003) found that a high-quality, as opposed to a low-quality relationship between an employee and his or her supervisor, was significantly related to their level of agreement on these obligations because a high LMX relationship results in higher level of communication about reciprocal obligations between the manager and employee. Therefore, one would expect high LMX to facilitate ongoing communication between an employee and his or her supervisor, and the employee may be less likely to perceive a contract breach because communication minimizes incongruence (Morrison & Robinson, 1997).

Second, the psychological contract literature highlights the role of the immediate supervisor in the employment relationship (Liden et al., 2004; Shore & Tetrick, 1994). As mentioned by Shore and Tetrick (1994), “the employee is more likely to view the manager as the chief agent for establishing and maintaining the psychological contract” (p. 101). While being a representative of the organization, the supervisor is also an important purveyor of resources and support to employees (Liden et al., 2004). Moreover, research suggests that leaders tend to allocate more rewards and resources to employees with whom they have high-quality exchange relationships (Liden et al., 2004). First, it has been shown that employees that have a high-quality LMX are more likely to receive intrinsic rewards, such as delegation of important assignments (Dansereau, Graen, & Haga, 1975; Liden & Graen, 1980), empowerment (Liden, Wayne, & Sparrowe, 2000; Scandura, Graen, & Novak, 1986), sharing of network ties (Sparrowe & Liden, 2005), and mentoring (Scandura & Schriesheim, 1994). Next, research has also shown that employees that have a high-quality LMX are more likely to receive extrinsic rewards such as salary inducements (e.g., Scandura & Schriesheim, 1994; Wayne, Liden, Kraimer, & Graf, 1999). Because leaders tend to allocate more intrinsic and extrinsic rewards and resources to employees with whom they have high-quality exchanges, we would expect that employees with high-quality LMXs are less likely to perceive a breach because they are provided more rewards and resources than employees with low-quality

LMXs. Therefore, given that high LMX is likely to increase communication and also the resources given to employees, we propose the following:

Hypothesis 1b: LMX is negatively related to perceived contract breach.

Social Exchange as a Moderator of the Breach-Violation Relationship

Morrison and Robinson (1997) distinguished between perceived contract breach and violation in their theoretical model of contract violation, although many researchers have used the terms interchangeably. Perceived breach refers to “the cognition that one’s organization has failed to meet one or more obligations within one’s psychological contract in a manner commensurate with one’s contributions . . . perceived breach represents a cognitive assessment of contract fulfillment that is based on an employee’s perception of what each party has promised and provided to the other” (Morrison & Robinson, 1997, p. 230). Violation, however, refers to emotional distress and feelings of betrayal, anger, and wrongful harm arising from the realization that one’s organization has not fulfilled a highly salient promise (Morrison & Robinson, 1997; Rousseau, 1989). This distinction clearly signifies breach as the product of a more deliberate and cognitive search aimed at monitoring how well one’s psychological contract is being upheld by one’s organization. Violation is, on the other hand, a deep emotional response that is more affective and a result of blaming one’s organization for a broken promise. This distinction avoids the problem of defining the cause (i.e., breach) in terms of its effect (i.e., violation).

Morrison and Robinson (1997) argued that the perception of contract breach does not necessarily lead to violation and the extent that it does depends on an interpretation process whereby employees engage in cognitive sense-making through which meaning is attached to the perceived breach. Weick (1995) suggests that sense-making is likely to occur following negative events and triggers information seeking, explanation, and interpretation. According

to Weick (1995), sense-making is driven by plausibility rather than accuracy whereby the sensemaker constructs accounts of events that are pragmatic and that serve the interests of the sensemaker versus capturing events in the social world. Empirically, Robinson and Morrison (2000) found that feelings of violation are of greater intensity when employees attribute the cause of breach to the employer reneging and when they also perceive they have been unfairly treated in the process.

The perceived quality of the relationship an individual experiences is likely to influence his/her interpretation of contract breach. Employees in high exchange relationship may be more likely to view breach as an unintentional event in the relationship (i.e., the unmet expectation was not a deliberate and/or negative action on the part of the exchange partner), because of the trust that has developed in the relationship. Additionally, individuals in supportive relationships may be more likely to view the breach in less negative terms, or seek out information that implies an external causality for breach, in order to remain consistent with their prior view of being in a supportive relationship. Conversely, an individual in a non-supportive relationship may be more likely to attribute the cause of breach to the purposeful malevolent intent of the organization. In this regard, individuals may seek out and pay most attention to information (and thus, ascribe causation) that confirms their prior attitudes. The investment that an individual has incurred and the opportunity costs associated with developing a prosperous relationship with one exchange partner over another may engender a vested interest in supporting the notion that one has made “the right” choice in partners. Thus, to avoid or assuage cognitive dissonance (Festinger, 1957), individuals in high quality exchange relationships may be less likely to ascribe intentional causations to their cognitions of breach. Because emotions are influenced by an individual’s evaluation of an event which he or she confronts (Stets, 2003) and it is likely that individuals will respond to breach more strongly if they perceive the breach to be intentional (Morrison & Robinson,

1997), we posit that relationship quality will interact with breach when predicting feelings of violation.

Second, the nature of one's employment relationship will influence the immediacy with which reciprocation is anticipated. Individuals in more economic exchange relationships expect prompt repayment for their contributions, whereas immediate rewards are not an expectation in relationships based on relational exchanges (Morrison & Robinson, 1997). In other words, one key difference between economic and social exchange is the timing of reciprocation (Blau, 1964). Individuals in high social exchange relationships have a longer-term horizon in terms of the timing of reciprocation. Therefore, they may be more likely to interpret contract breach as a temporal lapse that over the course of time will be rectified and as such believe that the fulfillment of a promise is delayed (e.g., I didn't get promotion this year but maybe next year). In sum, an individual in a low quality exchange relationship may be more likely to perceive a breach as intentional and not amenable to subsequent fulfillment and hence more likely to experience feelings of violation. We explore this through the following:

Hypothesis 2a: POS will moderate the positive relationship between breach and violation in such a way that the relationship will be stronger for individuals who perceive that they have a low-quality relationship with their organization.

Hypothesis 2b: LMX will moderate the positive relationship between breach and violation in such a way that the relationship will be stronger for individuals who perceive that they have a low-quality relationship with their supervisor.

Violation as a Predictor of Outcomes

A number of prior studies have found that employees' perceptions of contract breach tend to yield many unfavorable employee reactions involving both attitudes and behaviors, for

example, job satisfaction, organizational commitment, intent to leave the organization, trust in the organization, and in-role and extra-role performance (e.g., Coyle-Shapiro & Kessler, 2000; Johnson & O'Leary-Kelly, 2003; Robinson & Rousseau, 1994; Turnley et al., 2003). However, to date, few studies have delineated the consequences of psychological contract violations (exceptions would include Raja, Johns, & Ntalianis, 2004; Tekleab, Takeuchi, & Taylor, 2005). Consistent with the effects of breach on work-related outcomes, we expect similar results for the effect of violation on affective commitment, trust in the organization, and intent to leave the organization.

Hypothesis 3: Employees' feelings of violation will be negatively related to (i) their affective commitment, and (ii) their trust in the organization, and positively related to (iii) their intent to leave the organization.

Violation as a Mediator of the Relationships between Breach and Outcomes

Violation describes the feelings of anger, distress, injustice, and mistrust arising from the realization that one's organization has failed to fulfill its obligations (Morrison & Robinson, 1997; Rousseau, 1989). As noted by Zajonc (1998) "emotions may carry an intrinsic instigation to action," (p. 597). Accounting for cognitions of breach are a step toward explaining employee reactions to breach, "but unless they first elicit an emotion, cognitions of themselves are incapable of triggering instrumental process" (Zajonc, 1998, p. 597). This line of reasoning is consistent with Morrison and Robinson's (1997) view that "violation represents a mental state of readiness for action," (p. 231). For example, if an individual perceives a breach of contract to occur, an interpretation process ensues that results in the provocation (or lack thereof) of an emotional reaction. This emotional response becomes the trigger for actions taken to respond to or reciprocate the negative event.

Violation, therefore, is a critical mechanism through which perceived breach is translated into employee attitudes and behaviors.

Hypothesis 4: Violation will mediate the relationships between breach and (i) affective commitment, (ii) trust in the organization, and (iii) intent to leave.

METHOD

Sample and Procedure

Data for this study were collected in two waves in three large Belgian organizations. At Time 1, the survey was administered to 364 employees, of which 241 responded (66%). At Time 2 (six months subsequent to Time 1), of the 241 respondents at Time 1, 159 responded yielding a 66% response rate. At Time 2, respondents' ages ranged from 20 to 52 years with a mean of 28 years. 53% of the respondents were men. Work experience ranged from 0 to 32 years, with an average of 8 years and 8 months. No significant differences were found for the variables included in this study between employees who responded at Time 1 and 2 and those who only responded at Time 1.

Measures

All measures were submitted to exploratory factor analysis to assess unidimensionality and convergent and discriminant validity. Items used in the final measures had factor loadings greater than .5 on the intended construct and no cross loadings greater than .25. Except where otherwise noted, all measures were based on a 5-point Likert-type scale ranging from *strongly disagree* (1) to *strongly agree* (5).

Perceived organizational support. Perceived organizational support (POS) was measured at Time 1 with an eight-item shortened version of Eisenberger and his colleagues' (1986) scale. The shortened version of this scale has demonstrated adequate levels of reliability and construct validity in past research (Cronbach's alpha = .90 in Eisenberger,

Cummings, Armeli, & Lynch, 1997). This measure captured the perceived degree to which the organization values and supports individual employees and was used to operationalize the overall exchange quality between an individual and the organization. A sample item included: “My organization really cares about my well-being”. The 8 items were averaged to form a scale, with higher values representing a greater degree of perceived organizational support ($X = 3.26$, $S.D. = 0.63$). Cronbach’s alpha for the scale was 0.90.

Leader-member exchange. Leader-member exchange (LMX) was measured at Time 1 with the seven-item Leader-Member Exchange VII scale developed by Scandura and Graen (1984). This measure captured the relationship quality between a leader and subordinate. A sample item included: “How would you characterize your working relationship with your leader?” Respondents were asked to make a choice among five item-specific response options for each question. The 7 items were averaged to form a scale, with higher values representing a greater degree of leader-member exchange ($X = 3.61$, $S.D. = 0.77$). Cronbach’s alpha for the scale was 0.91.

Psychological contract breach. Psychological contract breach was measured at Time 2. The degree of perceived breach was assessed with a five-item measure developed by Robinson and Morrison (2000). This measure captured employees’ perceptions of how well their psychological contract had been fulfilled by their organization and has demonstrated adequate levels of reliability and construct validity in past research (Cronbach’s alpha = .92 in Robinson & Morrison, 2000). Measuring perceived contract breach as a global perception is consistent with current conceptualizations of psychological contract breach as an overall evaluation of how well one’s contract has been fulfilled by one’s employer (Robinson, 1996; Rousseau, 1989). Sample items included: “I have not received everything promised to me in exchange for my contributions” and “Almost all the promises made by my employer during recruitment have been kept thus far” (reverse scored). The 5 items were averaged to form a

scale, with higher values representing a greater degree of psychological contract breach ($X=2.30$, $S.D. = 0.82$). Cronbach's alpha for the scale was 0.89.

Psychological contract violation. Psychological contract violation was measured at Time 2. The degree of perceived violation was assessed with a four-item measure developed by Robinson and Morrison (2000). This scale has demonstrated adequate levels of reliability and construct validity in past research (Cronbach's alpha = .92 in Robinson & Morrison, 2000). While breach has a cognitive focus, violation is meant to capture affective reactions in the context of a contract. Sample items included: "I feel betrayed by my organization" and "I feel that my organization has violated the contract between us". The 4 items were averaged to form a scale, with higher values representing a greater degree of psychological contract violation ($X= 1.91$, $S.D. = 0.81$). Cronbach's alpha for the scale was 0.80.

Work outcomes. Work outcomes were measured at Time 2. Affective commitment was assessed using the revised version of the six-item measure scale elaborated by Meyer and Allen (1997). A sample item for the affective commitment scale included: "I do not feel emotionally attached to this organization" (reverse scored). The 6 items of each commitment dimension were averaged to form a scale, with higher values representing a greater degree of affective commitment ($X= 3.29$, $S.D. = 0.75$). Cronbach's alpha for the scale was 0.88. The degree of intent to leave the organization was assessed with a three-item measure taken from Cammann, Fichman, Jenkins, and Klesh (1979), cited in Cook, Hepworth, Wall, and Warr (1981). A sample item included: "I often think about quitting my job with my present organization". The 3 items were averaged to form a scale, with higher values representing a greater degree of intent to leave the organization ($X= 2.09$, $S.D. = 1.15$). Cronbach's alpha for the scale was 0.91. The degree of trust in the organization was assessed with a three-item measure taken from Robinson (1996). A sample item included: "I have a great deal of faith in my organization". The 3 items were averaged to form a scale, with higher values representing

a greater degree of trust in the organization ($X = 3.43$, $S.D. = 0.82$). Cronbach's alpha for the scale was 0.90.

RESULTS

Table 1 presents the means, standard deviations, and correlations of the study variables. Multiple regression was employed for hypothesis testing.

Insert Table 1 about here

In Hypotheses 1a and 1b, we predicted that perceived organizational support (POS) and leader-member exchange (LMX) would both be negatively related to employee perceptions of contract breach. To test these hypotheses, we regressed perceived breach on POS and LMX, entered in the same block. As shown in Table 2, POS was negatively related to perceived breach ($\beta = -.18$, $p < .05$). Results also indicated that LMX was negatively related to perceived breach ($\beta = -.28$, $p < .001$). Thus, hypothesis 1a and 1b were fully supported.

Insert Table 2 about here

Hypothesis 2a and 2b suggested that POS and LMX would moderate the relationships between breach and violation. Hierarchical moderated regression equations were used to test the hypotheses. Following Cohen and Cohen (1983) we first entered the main effects for hypothesized variables, followed by their cross-product interaction terms. The first regression equation examined Hypothesis 2a, concerning the proposed moderating effects of POS on the relationship between breach and violation. As reported in Table 3, the interaction term was significant ($\beta = -.16$, $p < .01$). By partialling out the cross-product term, we were able to

identify an incremental change in R^2 of 0.03 ($p < .01$). The nature of the interaction was determined by plotting the relationship between breach and violation at high and low levels of POS (defined as +1 and -1 standard deviation from the mean: Aiken & West, 1991). Figure 1 demonstrates that for employees perceiving low POS, there was a stronger relationship between breach and violation, supporting Hypothesis 2a. The second regression equation examined Hypothesis 2b, which tested the moderating effects of LMX on the relationship between breach and violation. As reported in Table 3, the interaction term did not attain significance ($\beta = -.16$, $p > .05$). Additionally, the incremental variance accounted for by the interaction term ($R^2 = 0.01$), did not attain significance ($p > .05$). Thus, Hypothesis 2b was not supported.

 Insert Table 3 and Figure 1 about here

Hypothesis 3 predicted that perceived psychological contract violation would be negatively related to affective commitment and trust in the organization, and positively related to intent to leave. As shown in Table 4, employees' perception of violation by the organization was negatively related to their affective commitment ($\beta = -.42$, $p < .001$) and trust in the organization ($\beta = -.61$, $p < .001$), and positively related to their intent to leave the organization ($\beta = .60$, $p < .001$). Thus, hypothesis 3 was fully supported. In Hypothesis 4, we suggested that violation would mediate the relationships between contract breach and the outcomes (i.e., affective commitment, trust in the organization, and intent to leave the organization). We followed Baron and Kenny's (1986) procedure for assessing the mediating role of psychological contract violation. These authors suggested that three conditions must be met in order to demonstrate mediation. First, the independent variable (i.e., breach) must be significantly related to the proposed mediator (i.e., violation). Second, the independent

variable (i.e., breach) and the proposed mediator (i.e., violation) must each be significantly related to the dependant variable (i.e., affective commitment, trust in the organization, or intent to leave the organization). Third, the relationship between the independent variable and the dependent variable should be significantly weaker (partial mediation) or non-significant (full mediation) when the proposed mediator is included in the regression equation.

First, we regressed the mediator (violation) on the independent variable (breach). Perceived contract breach was positively related to violation ($\beta = .72, p < .001$). Next, we regressed the dependant variables on the independent variables (Table 4). Satisfying the second requirement of mediation, perceived contract breach was negatively related to affective commitment ($\beta = -.38, p < .001$), trust in the organization ($\beta = -.48, p < .001$), and positively related to intent to leave the organization ($\beta = .60, p < .001$). To test the third step of mediation, we regressed the dependent variables on the mediating variable, with the independent variable included in the equations (Table 4). As shown, violation fully mediated the effects of contract breach on affective commitment and trust in the organization (for affective commitment, the β reduces from $-.38, p < .001$ to $-.12, ns$; for trust, the β reduces from $-.48, p < .001$ to $-.12, ns$). Thus, hypothesis 4a and 4b were supported. For intent to leave (hypothesis 4c), violation appears to partially mediate the effects of contract breach (the β reduces from $.60, p < .001$ to $.32, p < .001$) thus providing partial support for hypothesis 4c.

Insert Table 4 about here

DISCUSSION

Overall, the results of this study suggest that integrating both social exchange and psychological contract theory to account for relational factors that impact psychological contract breach and its outcomes may further our understanding of this phenomenon.

Specifically, we explored the effects of social exchange relationship quality on psychological contract breach, violation, and subsequent employee attitudes. The results indicate that both perceptions of exchange relationship quality with one's leader and one's overall organization are related to initial cognitions of breach. Additionally, when such breach is realized, the quality of the social exchange relationship that an employee perceives with his or her organization may influence the sense-making process that transforms cognitions of breach into expressed feelings of violation. Finally, our results reveal that the emotional response to psychological contract breach (violation) may play a critical role in accounting for employee attitudes following breach. In sum, these results contribute to the development of psychological contract theory and research by suggesting that the relationship quality between employees and their organizations, as well their respective leaders, play a role in both the perceptions of and responses to breach.

Many of the findings reported in this study suggest important avenues for understanding the dynamics of the employment relationship. Our results suggest that both the quality of an employee's dyadic social exchange relationship with his or her respective organization and leader are significantly, and negatively related to cognitions of breach. This finding sheds light on two important processes. First, it supports the proposition that social exchange relationships in the workplace may influence employee perceptions of and attitudes toward the implicit or explicit promises that define their psychological contract. Although social exchange relations refer to dyadic or multi-party transactions in which obligations are not specified, the very quality of these relationships may influence the levels of trust and temporal orientations that employees hold toward reciprocal obligations in their psychological contracts. These attitudes may shape employee vigilance toward seeking out and recognizing events as connotations of breach.

Interestingly, our results suggest that once breach has been realized in an employment relationship, social exchange relationship quality may influence feelings of violation effectuated by the situation. Although we argued that exchange quality would play a role in the sense-making and interpretation process that employees undergo when they perceive contract breach, a second, plausible explanation exists. According to the “buffer hypothesis” (Cohen & Willis, 1985), social support that is perceived to be available from others can reduce, or buffer, the threat to self-esteem and the unpleasant feelings that arise from confronting stressful events. The support derived through high-quality exchange relationships may be sufficient to produce these buffering effects. Thus, in addition to influencing an individual’s sense-making process, social exchange relationships may provide the support necessary for employees to cope with the stress of perceiving unmet promises within their employment relationships. It should be noted that while our analyses did not generate a significant interaction between LMX and breach in accounting for feelings of violation, future exploration of this relationship is warranted. Although this interaction approached significance, we contend that it may not have achieved significance due to a lack of statistical power.

Finally, the results of this study support making a distinction between cognitions of breach and emotional reactions to breach when conducting this line of research. Our findings suggest that perceptions of breach may elicit feelings of violation, which, in turn, lead to a decrease in employee affective commitment and trust in his/her organization. Additionally, our results suggest that feelings of violation partially mediated the relationship between perceptions of breach and an employee’s intent to leave the organization. These results highlight the importance of considering the role that emotions play in explaining employee attitudes, and potentially, employee behaviors, resulting from perceived breaches of their psychological contract.

The results of our study provoke an interesting question: For how long, and under what conditions, might high quality exchange relationships both decrease cognitions of breach and buffer its potential to elicit violation? One avenue for future research is to explore the extent to which relationship quality can produce these effects over longer time periods. It may be the case that a “honeymoon” phenomenon exists in the employment relationship, much in the same manner as it does in romantic exchange relationships (e.g., Rusbult, 1983). During the initial phases of an employment relationship, employees in relations that they perceive as being of high quality may be more prone to discount or overlook potential imbalances in their exchanges. It is possible, though, that this buffering effect may be unsustainable over time periods longer than six months, and over multiple events of unmet promises. Over time, reoccurring events of breach may diminish levels of trust in an exchange partner to the extent that the social exchange relationship, itself, is harmed. Future research integrating both psychological contract and social exchange theory might consider not only the buffering effects that social exchange relationship quality has on breach, but also the possibility that breach of specified (either implicitly or explicitly) obligations might decrease an individual’s attraction toward unspecified exchanges with a partner.

When exploring the effects of social exchange relationships with both the organization and the leader on perceptions of, and reactions to, psychological contract breach, future research might consider these foci (the leader and the organization) as operating at different hierarchical levels. Across organizations, the leader’s role in fulfilling the terms of the psychological contract may vary, and, as such, leaders will not espouse the same symbolic reference as does the organization with respect to serving as the “distributor of rewards”. These role differences, across organizations, may impact a leader’s ability to influence employee perceptions of psychological contract fulfillment. Interestingly, it may be possible to find, though, that as a source of social support (as opposed to a referent in ascribing

causality to breach), a leader's potential to buffer the relationship between breach and violation is more universal. Thus, the results of this study suggest a need to further explore the relationship between LMX and perceptions of and reactions to psychological contract breach. Specifically, it will be necessary to determine in which organizational contexts (cultural and otherwise) leader-member relationships serve as a point of reference in the perceptions of met promises and sense-making processes that employees experience within their employment relationship with the organization. Additionally, it will be necessary to explore whether in these contexts, the provisions of the leader-member relationship might still serve as a vehicle of social support that is used to cope with the stress of unmet promises. Attending to these questions will grant both academic researchers and practitioners important knowledge as to the functionality of leader-member relationship quality in predicting and assuaging psychological contract breach.

The major strength of this study resides in its use of a longitudinal research design. It should be noted, though, that perceptions of psychological contract breach, violation, and the outcome variables (affective commitment, trust in the organization, and intent to leave) were measured from the same source at the same point in time. Although a similar design has been used in prior research that has measured employee perceptions of contract fulfillment/non-fulfillment and associated attitudes at the same time period (e.g., Tekleab et al., 2005), it does present a limitation to our study. Specially, although we reduced the possibility for a same source bias to account for our results by collecting data at two time periods, the potential for this effect to bias our results may still have been present. Future research might attempt to replicate our findings, extending the longitudinal design to include the measurement of outcome variables associated with psychological contract breach and violation at a third time period in order to reduce same source/common method biases. An additional limitation in our design and analysis was the absence of controlling for the effects of a variable that may have

influenced the outcomes suggested by this study: individual mood. Individuals with high negative affect, who exhibit relatively stable dispositions comprised of “aversive mood states, including anger, contempt, disgust, guilt, fear, and nervousness” (Watson, Clark, & Tellegen, 1988, p. 1063) may have been more likely to perceive psychological contract breach and respond with violation. Additionally, individuals high in negative affect may have been less likely to perceive their social exchange relationships with their organizations and their leaders as “high quality.” Future research might address this limitation when exploring the role of exchange relationships in perceptions of and reactions to psychological contract breach.

CONCLUSION

In sum, this study supports the need in psychological contract research to address both cognitions of and reactions to breach as related, yet distinct constructs. Furthermore, by integrating both social exchange and psychological contract theory, this study advances our understanding of how relationships that are based upon non-contractual exchanges of unspecified obligations influence both perceptions of and reactions to “unmet promises” in the psychological contract. In sum, these results suggest that psychological contract breach might be viewed, for the purpose of both theory and research, as an event, or the culmination of a series of events, that occurs within the context of an employee’s overall relationship with the organization and with agents of the organization that are symbolic referents of “the other party” in the psychological contract.

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TABLE 1
Means, Standard Deviations, and Correlations for Study Variables

Variable	Mean	SD	1	2	3	4	5	6	7
1. POS	3.26	0.63	—						
2. LMX	3.61	0.77	.37***	—					
3. Perceived breach	2.30	0.82	-.29***	-.35***	—				
4. Perceived violation	1.91	0.81	-.34***	-.41***	.72***	—			
5. Affective commitment	3.29	0.75	.37***	.22**	-.38***	-.42***	—		
6. Trust	3.43	0.82	.42***	.26***	-.49***	-.61***	.52***	—	
7. Intent to leave	2.09	1.15	-.26***	-.36***	.60***	.60***	-.41***	-.49***	—

Note. POS = perceived organizational support; LMX = leader-member exchange

*** $p \leq .001$ ** $p \leq .01$ * $p \leq .05$

TABLE 2
Predictors of Breach

Predictor variable	Breach	
	β	R^2
Step 1:		0.14
POS	-0.18*	
LMX	-0.28***	

Note. POS = perceived organizational support; LMX = leader-member exchange

*** $p \leq .001$ ** $p \leq .01$ * $p \leq .05$

TABLE 3
Results of Hierarchical Regression Analysis
for the Effects of POS and LMX on the Relationships between Breach and Violation

Predictor variable	Violation		
	β	R^2	ΔR^2
Step 1: Breach	0.69***	0.54	
POS	-0.13*		
Step 2: Breach X POS	-0.16**	0.57	0.03**
Step 1: Breach	0.69***	0.54	
LMX	-0.16**		
Step 2: Breach X LMX	-0.11†	0.55	0.01†
<i>Note.</i> POS = perceived organizational support; LMX = leader-member exchange *** $p \leq .001$ ** $p \leq .01$ * $p \leq .05$ † $p \leq .10$			

TABLE 4
Results of Hierarchical Regression Analysis for the Mediating Effects of Violation between Breach and Work-Related Outcomes

Predictor Variable	Affective Commitment			Trust in the Organization			Intent to Leave		
	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2
Main Effect : Breach									
Step 1									
Breach	-.38***	.14		-.48***	.23		.60***	.36	
Mediation : Violation									
Step 1									
Violation	-.43***	.18		-.55***	.38		.61***	.37	
Step 2									
Breach	-.12	.18	.007	-.09	.38	.004	.32***	.42	.05***
Note. *** $p \leq .001$ ** $p \leq .01$ * $p \leq .05$									

FIGURE 1
POS as a Moderator of the Breach-Violation Relationship

