Examining PCB-Outcomes Relationship: Moderating Role of Individualism

Upasna A Agarwal

In the current climate of continuing economic uncertainty caused by major developed nations struggling with high-debt and sub-par growth, employee goodwill, motivation, and cooperation are fragile yet critical for organizational success. These attitudes and behaviours can be powerfully influenced by the fulfillment of psychological contracts.

Psychological Contract is a useful framework for examining the quality of employee-organization relationship. Psychological Contract Breach (PCB), defined as 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, has deleterious effects of employee motivation.

Despite the growing amount of research about psychological contracting, a review of studies on PCB indicates that there are deficiencies in the literature which need to be addressed. Firstly, limited efforts have been made to examine the effects of individual dispositions on PCB. Secondly, although trust has been examined as an essential condition for establishment of social exchange, there is paucity of research on the effect of PCB on trust. Thirdly, there have been fairly good number of studies examining the effects of breach. However, these studies seem to have been stuck in terms of examining only specific group of outcome variables. Further, much of the published research on PCB has been experienced by a single cohort of MBA graduates making generalization of findings for more diverse sample populations difficult. Finally, much of our current knowledge about PCB is based on the studies conducted in the West. Since different national cultures display varied cultural elements in the workplace, drawing parallels from studies conducted in other collectivistic cultures will not be appropriate.

This work is significant for four reasons:

- It examines the effect of PCB on trust and work engagement
- It examines the mediating role of trust in PCB-engagement relationship
- It tests the moderating role of individualism and collectivism value orientation
- It examines PCB in a novel geographical context.

Results of this study with 501 Indian managerial employees working in eight organizations in India suggest that:

- PCB is related to trust and work engagement.
- Trust mediates the PCB-engagement relationship.
- Individualism/Collectivism moderates the PCB-trust relationship.
**Promises are like crying babies in a theatre; they should be carried out at once**

— Norman Vincent Peale

Mass lay-offs, hiring freezes, pay cuts, leave without pay, and reduced work weeks—these are just some of the ways in which many organizations have responded to the recent global financial crisis, from a human resource perspective. As such, a new era of employee-organization relations has emerged, with many of today’s firms realizing that in order to stay competitive in this turbulent economic climate, they must repeatedly renegotiate, and in some cases, abrogate the employment relationships they have established with their employees (Kickul, 2001). In the current climate of continuing economic uncertainty caused by major developed nations struggling with high debt and sub-par growth, employee goodwill, motivation, and cooperation are fragile yet critical for organizational success. These attitudes and behaviours can be powerfully influenced by the fulfillment of psychological contracts.

Psychological contract (PC) (Rousseau, 1989) is an important constituent of employment relationship, which examines the employee-organization linkages. Defined by Rousseau as ‘the individual beliefs, shaped by the organisation, regarding an exchange agreement between the individual and their organisation’ (Rousseau, 1995, p. 9), psychological contract has emerged as a popular framework for understanding contemporary employment relationships and the changing nature of work.

Sometimes perhaps unwillingly organizations are unable to meet all promises conveyed, explicitly or implicitly, to employees. When employees feel they have adequately met their obligations to an employer but the organization fails to adequately meet its obligations, employees feel defrauded, resulting in Psychological Contract Breach (PCB) (Morrison & Robinson, 1997). PCB has been found to have deleterious effects on employees’ attitude and behaviour.

Despite the growing amount of research about psychological contracting, a review of studies on PCB indicates that there are deficiencies in the literature which need to be addressed. Firstly, the key element of a psychological contract is its subjective and idiosyncratic nature (Rousseau & Tijoriwala, 1999). People’s beliefs, values, and personality are likely to influence perception of contract breach. Studies have suggested that even when treated equally by organizations, employees are affected by their individual traits in determining how PCB is perceived (Deery, Iverson, & Walsh, 2006; Restubog, Bordia, & Tang, 2007; De Vos & Meganck, 2008). However, limited efforts have been made to examine the effects of individual dispositions on PCB.

Secondly, as a social exchange relationship, psychological contract involves many unspecified obligations which cannot be negotiated in the courts of law. This makes trust an essential condition for establishment of social exchange. Low employee trust can increase the likelihood of psychological contract breach (Robinson, 1996). Paucity of research on the effects of trust on PCB provides impetus for its examination. Thirdly, there have been fairly good number of studies examining the effects of breach. However, these studies seem to have been stuck in terms of examining only specific groups of outcome variables (Agarwal & Bhargava, 2014) such as - intention to quit, job satisfaction, and organization citizenship behaviour. This study examines the effect of PCB on work engagement which has attracted limited attention.

One of the limitations of previous research on PCB is related to sampling (Deery, Iverson, & Walsh, 2006; Restubog et al., 2007). Much of the published research in this area has examined PCB experienced by a single cohort of MBA graduates making the transition from school to work (Robinson, 1996; Robinson et al., 1994; Agarwal & Bhargava, 2013). There have been calls for more diverse sample populations in order to assess the generalizability of findings for other employee groups (Guest, 1998). Emphasizing this point, Turnley & Feldman (1999) called for research “to aggressively expand its sample base lest it be reduced to the investigation of the disappointments”. Finally, much of our current knowledge about PCB is based on the studies conducted in the West. Since different nations display varied cultural elements in the workplace (An & Kim, 2007), drawing parallels from studies conducted in other collectivistic cultures (China or Philippines in this case) will not be appropriate. Quite possibly, these findings may not hold true in India, which has a mix of individualism and collectivism that is conditioned by many values and contingencies. Thus, there is a need to systematically examine psychological contract in India.
This study draws from the Affective Events Theory (AET) (Weiss & Cropanzano, 1996) as a frame of reference. AET explicates what happens between work events and subsequent employee attitudes and behaviour by focusing on the role of personality and emotion. Although this theory has come to be regarded as an important contribution in explaining the causes and consequences of affect at work, empirical examination of the basic assumptions put forward in the model is rare (Weiss & Beal, 2005).

**AFFECTIVE EVENTS THEORY AND SOCIAL EXCHANGE THEORY**

The Affective Events Theory (AET) provides a comprehensive account of the causes, consequences, and structure of affective experiences at work. As such, it represents an important development in the field, even though it draws heavily on the existing theories of emotion and has not been comprehensively tested (Briner & Totterdell, 2002). According to AET (see Figure 1), work environment features influence attitudes directly, through a cognitive route, as well as indirectly through an affective route, the latter by determining the occurrence of positive or negative affective work events. Weiss and Cropanzano (1996) argue that workplace events trigger affective responses which after being accumulated over time will influence workplace attitudes such as job satisfaction, organizational trust, and commitment. These attitudes will in turn impact upon workplace behaviour such as absenteeism, lateness, turnover, and productivity. According to AET, event-affective variable relationship is moderated by individual disposition.

The present study seeks to examine whether AET’s central predictions can be corroborated regarding possible effects of PCB on work outcomes. It specifically tests the effects of contract breach (work event) on trust (affective state) and also the moderating role of individualism (affective disposition) on work event and affective state relationship. Finally, commensurate to AET, it examines the effect of trust on work engagement (judgment-driven behaviour) (Figure 1).

The social exchange theory (SET) and the norm of reciprocity have been used as predominant theoretical frameworks to examine psychological contract-outcome relationships (Robinson & Morrison, 1995; Rousseau, 1995). SET suggests that rational self-interest drives people’s social interactions. Individuals enter into relationships with others to maximize their benefits (Blau, 1964; Homans, 1961). The norm of reciprocity (NOR) is the starting point of SET. It is a guarantee that an individual will be paid back in currency that he/she values. If one party does not reciprocate, an imbalance is created between the contributions of the two parties (Cropanzano & Mitchell, 2005) and gradually the relationship dissolves and disappears. In the current study, the relationship between PCB-Trust-Work engagement is examined from the theoretical lens of the social exchange theory.

**PCB and Trust**

Mayer, Davis, & Schoorman (1995, p.712) defined trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to

![Figure 1: The Affective Events Theory Framework](Adapted from Mignonac & Herrbach, 2004)
the trust or irrespective of the ability to monitor or control that other party”. This vulnerability stems from the risk or uncertainty regarding whether the other party intends to and will act appropriately. The degree of vulnerability is enhanced in situations where the parties are interdependent such that the interest of one party cannot be achieved from the other. As a psychological state, Mc Allister (1995) distinguished cognition from affect-based trust. Cognition-based trust describes a rational evaluation of an individual’s ability to carry out obligations and, therefore, reflects beliefs about that individual’s reliability, dependability, and competency. In contrast, affect-based trust reflects an emotional attachment that stems from the mutual care and concern that exist between individuals. Social exchanges are characterized by affect-based trust.

As a social exchange relationship, psychological contract involves many unspecified obligations which cannot be negotiated in the courts of law. This makes trust an essential condition for establishment of social exchange. Drawing the importance of trust in psychological contract process, Robinson (1996) explicated that “rare is a theoretical paper on psychological contract that does not mention the word ‘trust’ or note its central role” (p.23). Although, much conjecture has been raised about effects of trust, ironically only a few empirical investigations have been made (Agarwal, 2014; Deery et al., 2006; Lo & Aryee, 2003; Robinson, 1996; Robinson & Morrison, 1995; Montes & Irving, 2008) to test these relationships.

Psychological contract involves an element of trust; there is belief in the existence of a promise of future benefits that one party has already ‘paid for’ (reciprocal obligations). Incidences of breach decrease trust. When employee’s promises are broken, trust is shattered, and as the relationship dissolves, the employee pulls away from it, less willing to invest further in the relationship and less willing to act in ways that serve to maintain it (Robinson, 1996). Thus it is hypothesized that,

H1: PCB will be negatively related to trust.

PCB-Work Engagement

Work engagement is defined as a persistent and positive affective-motivational state of work engagement consisting of three components, namely vigour, dedication, and absorption (Schaufeli, Salanova, González-Romá, & Bakker, 2002). Building on the Job demands-resources (JD-R) model, studies (Parzefall & Hakanen, 2010; Agarwal and Bhargava, 2014) have examined the effects of psychological contract fulfillment on work engagement. These studies suggest that contract fulfillment can be viewed as a resource that the employees expect the employer to provide in the exchange relationship which fosters work engagement.

Although studies have examined the PC fulfillment-work engagement relationships, to the best of our knowledge, PCB-engagement relationship has not been examined. For a long time, fulfillment of PC was considered the opposite of breach and it has been commonplace for researchers to use the term ‘fulfillment’ in this way to mean the opposite of breach. However, Lambert, Edwards, & Cable (2003) have recently argued and empirically validated that PC breach and fulfillment do not reside along a single continuum. They have unique effects on organizationally relevant outcomes. This implies that there is a need to examine the PCB-engagement relationship separately.

In situations of PCB, where employees perceive that an organization is not living up to its commitments in terms of providing promised inducements, commensurate to the social exchange theory (SET), they would not be motivated to put in extra efforts and do the minimum asked for (Kahn, 1990; Saks, 2006). Incidences of contract breach will demotivate employees from demonstrating high engagement levels. Thus we hypothesize,

H2: PCB will be negatively related to Work Engagement.

Psychological contract breach, a cognitive appraisal, emanates from the employee’s perception that there is a discrepancy between what was promised versus what was actually delivered. Psychological contract are events that happen at work or in relation to work. Incidences of breach decrease trust. When employees feel that their organizations have failed to fulfill a contractual agreement, it undermines the good faith that created the contract and erodes the trust (Agarwal & Bhargava, 2014). Employees whose psychological contracts have been breached may feel that they cannot trust their organization to fulfill the remaining obligations of the contract and, furthermore, that the organization does not care about them (Robinson, 1995). Thus incidences of breach signal damage to the relationships between the employee and the organization, as trust is likely to be undermined making employ-
ees less likely to demonstrate engagement. Therefore trust explains the relationship between perceptions of breach and attitudinal and behavioural outcomes. After breach, because trust is destroyed, the breached party is also less likely to engage in extra-role behaviours as he/she has grounds for doubting whether extra-role contributions will ever be reciprocated (Rousseau, 1995).

The mediating role of trust can be explained using AET (Weiss & Cropanzano, 1996; Zhao et al., 2007). According to AET, negative events (PCB) will lead to affective states (trust) which may in turn contribute to the formation of work attitudes (work engagement). Empirical evidence suggests that trust serves as an intermediary variable that links contract breach and work attitudes (Raja, Johns, & Ntalianis, 2004; Zhao et al., 2007). Trust explains why PCB has negative effects on employee attitudes and behaviour. Thus drawing from AET, it is expected that relationships between PCB and WE will be indirect when employees’ trust is taken into account (Weiss & Cropanzano, 1996). Therefore:

**H3:** Trust will mediate the relationships between PCB and work engagement.

### Moderating Role of Individualism/Collectivism in PCB-Trust Relationship

Psychological contracts are subjective and arise from unconscious thought processes, something the parties to the relationship may not themselves be even dimly aware (Levinson, Price, Munden, Mandl, & Solley, 1962). Given that psychological contract-related perceptions are more a function of automatic rather than deliberate mental processing, personality traits, being intrinsic and elemental in nature, play a part in shaping such perception behaviours. Although efforts have been made to examine the effects of disposition on perceptions of breach, personality variables have received very little research attention. Personality variables are conceptualized as stable traits that guide people’s behaviour and attitudes throughout their careers (Judge, Higgins, Thoresen, & Barrick, 1999). This study tests the moderating effects of individualism/collectivism on PCB-Trust relationship.

Culture refers to a group’s shared values, norms, and beliefs that socialize its members to know what is considered right or appropriate behaviour with regard to interpersonal relationships. Although culture is an etic construct that applies across nations, it can manifest differently within different cultures and its inclusions for emic analyses provides a detailed picture of cultural variables (Triandis, 1993). Culture provides a language for processing as well as evaluation of information and also influences the domain of normative behaviour (e.g. behaviour that is desirable versus condemned for members of the culture). Initial efforts in understanding cultural differences at the cross-national level yielded four dimensions — individualism-collectivism, power-distance, masculinity-femininity, and uncertainty avoidance — on which national cultures could be compared (Hofstede, 1980). Subsequently, one of these dimensions, individualism-collectivism, received more focused attention, and since then has been related to various aspects of human behaviour (Triandis, 1995).

Individualism is usually expressed through qualities such as independence from the in-group, displaying uniqueness, focusing on costs and benefits when evaluating relationships, giving importance to fulfilling personal needs over group needs, and using one’s own attitudes to guide actions rather than feeling pressured by group norms (Triandis, 2000; 2001). Individualists value their freedom and autonomy and seek self-enhancement. They do not believe that it is necessary to sacrifice their interests in order to promote the well-being of others and expect that each person will look out for himself/herself (Triandis, 1995).

In contrast, collectivism is reflected in greater importance being placed on relationships, maintaining these relationships even at high personal costs, yielding to norms, duties, and obligations imposed by family, friends and community members, and providing support for others. Collectivists establish their identity through group membership, an interdependent self, group goals, and actions guided by conformity and security. Collectivists take a great interest in others and are willing to share their material and non-material possessions with them. They are deeply concerned about how they may appear to others and try not to lose face or cause others to lose face (Hui & Triandis, 1986).

It is contended that I/C orientation moderates reaction to PCB. Collectivists are people-oriented (Hofstede, 1984) and seek close and long-term relationships. Collectivists view their relationship to have moral element and tend to emphasize harmony and avoidance of conflicts (Takahashi et al., 2002). Individualists, on the other hand,
tend to place justice and individual right at the forefront. Individualists establish an exchange and have calculative involvement with the organization. They have strong need for freedom and preference for low-context relationships based on emotional detachment (Earley & Gibson, 1998; Hofstede, 1984; Triandis, 1995). Prior studies reveal that individualistic and collectivistic values predict different management practices (Gomez-Mejia & Welbourne, 1991; Ramamoorthy & Flood, 2004; Ramamoorthy & Carroll, 1998). These studies indicate that employees who endorse individualistic values support equitable reward systems, formal appraisal systems, and merit-based promotion. Contrary to this, employees who endorse collectivistic values tend to be related to informal appraisals and seniority-based promotions. Given their preference for group harmony and peace, at times, even at personal cost, collectivists may not be as reactive as individualists and let go even when they are under-rewarded or when promises made to them are not honoured. Since individualists are focused on justice, they have very high need for equitable distribution of rewards (Huseman, Hatfield, & Miles, 1987) and in situations of PCB, they may be more reactive than collectivists (Huseman et al., 1987). Thus value dimension of I/C may moderate PCB-Trust relationship.

**H4:** Individualism/Collectivism will moderate the PCB-Trust relationship

**METHODOLOGY**

Various organizations situated in and around Mumbai, were approached telephonically or through e-mail inviting them to participate in the study. Based upon their consent, a brief presentation about the objectives, the scope of the study, and the implications of the findings were made. Finally, data were collected from private companies in eight different sectors: investment banking, manufacturing, business process outsourcing (BPO), knowledge process outsourcing (KPO), information technology (IT), pharmaceutical, telecommunication, and retail.

The human resource (HR) departments of participating organizations assisted researchers in identifying prospective managers. A mail was subsequently sent to employees by the respective HR departments, explaining to them the purpose of the study and requesting them to volunteer to participate. A total of 800 employees volunteered to participate in the survey. In total, 600 filled questionnaires were received of which 501 employees provided complete data on the variables of interest and were used for further analysis.

Out of the final sample of 501 respondents, 4.6 percent participants were from the KPO sector, 9.4 percent from the retail sector, 20.5 percent from the BPO sector, 15.2 percent from the IT sector, 9.1 percent from investment banks, 16.5 percent from the telecom sector, 17.5 percent from the heavy engineering sector, and 7.2 percent from the pharmaceutical sector.

Of the 501 respondents, 69.9 percent were males. The average age of employees was 30.4 years, the sample consisting of respondents from a fairly well distributed age-group varying between 21 years and 62 years. In terms of educational attainment, 68.6 percent of employees were graduates and 31.4 percent were post-graduates. The average tenure of employees was 4.3 years. In terms of educational attainment, the sample population consisted of employees with Diploma (8%), Graduate (30%), Professional Graduate (20%), Postgraduate (30%), Professional Postgraduate (9%), and Ph.D (3%) degrees. With respect to hierarchical levels, 42.1 percent of the respondents were in junior management positions while 57.9 percent reported to be in the senior management positions.

**Measures**

For the purpose of this study, self-report surveys were considered appropriate because the psychological contract is by definition an individual’s perception (Rousseau, 1989) and, as such, is best solicited directly. All measures used a response scale which ranged from 1=Strongly disagree to 5=Strongly agree.

**Psychological contract Breach (PCB):** Psychological contract breach was measured by using the Turnley and Feldman (1999) scale, tapping 16 items of the employment relationship studied in previous research (Robinson & Morrison, 1995; Rousseau, 1990). Employees were asked to respond on to what extent the promises were fulfilled vis-à-vis what was committed to them. On a five-point likert scale, the response scale used here ranges from −1=Received much more than promised and 5=Received much less than promised. The 16 items were averaged with higher values representing greater degree of psychological contract breach. Cronbach’s alpha was 0.89.

**Trust (TRU):** A seven-item scale by Gabarro & Athos (1976) was used to measure trust in organization. A sample item
of the scale is, “I can expect my employer to treat me in a consistent and predictable manner”. Cronbach’s alpha was 0.79.

**Individualism/Collectivism (I/C):** Individualism was measured using the 16-item scale of Ramamoorthy and Flood (2004). The average of the responses to the items served as the individualism orientation of individuals with a higher score indicating a higher level of individualism orientation, and a lower score indicating a higher level of collective orientation. Cronbach’s alpha was 0.92.

**Work Engagement (WE):** Work engagement was measured with the nine-item version of the Utrecht Work Engagement Scale (UWES) (Schaufeli, Bakker, & Salanova, 2006). UWES reflects three underlying dimensions, which are measured with three items each: Vigour (e.g. ‘at my work, I feel bursting with energy’), Dedication (e.g. ‘my job inspires me’), and Absorption (e.g. ‘I get carried away when I am working’). High scores on all three dimensions indicate high work engagement. Items were scored on a scale ranging from (1) ‘never’ to (7) ‘always’. An additive score of these three dimensions was used which was in line with the literature (Karatepe & Olugbade, 2009). Cronbach’s alpha was 0.92.

**RESULTS**

Since data were collected broadly from eight different organizations, differences on rating of variables were likely to exist. Hence, one-way analysis of variance (ANOVA) test was performed to examine these differences. The ANOVA comparing the organizations on the research variables showed that $F$ values were significant for almost all variables. These mean differences are in expected lines since these were eight organizations having different business process and challenges. Further, post-hoc analyses results based on Scheffe’s Test was conducted to test if pairs of means differences among variables formed any specific patterns. However, results did not yield any consistent pattern which could be used as the basis of clustering of the organization for further analyses.

The means, standard deviations, Cronbach alphas, and inter-correlations of the final version of the scales measures are provided in Table I. An examination of the correlations revealed that PCB was related to trust ($r = -0.47$, $p<0.01$), individualism ($r=0.24$, $p<0.01$), and work engagement ($r = -0.13$, $p<0.01$). Trust was related to individualism ($r = -0.25$, $p<0.01$) and work engagement ($r = 0.19$, $p<0.01$). Dummy codes were created representing eight different industries — Investment banking, manufacturing, BPO, KPO, IT, pharmaceutical, telecommunication, and retail. Several additional demographic variables including gender, age, tenure, and organizational level were controlled for to reduce the possibility of spurious relationships.

In order to test the hypotheses, regression analysis was carried out. As noted by Rosopa & Stone-Romero (2008), inferences regarding the relations detected in a non-experimental study (e.g. a causal chain, suppression, or confounding) depend greatly on what a researcher terms an independent variable (e.g. PCB in this study) versus other labels (e.g. trust, engagement, and individualism/collectivism in this study), posing a serious logical problem regarding the interpretation of results. That is why a

<table>
<thead>
<tr>
<th>Table 1: Means, Standard Deviations, and Correlations</th>
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<td><strong>Mean</strong></td>
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<td>Age</td>
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<td>Gender</td>
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<td>Education</td>
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<td>PCB</td>
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<td>Indi/Collect</td>
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<td>TRUST</td>
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<td>WE</td>
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</table>

$n= 501$, alpha reliabilities are given in the parentheses; *$p<0.05$; **$p<0.01$; ***$p<0.001$. Means (s.d.’s) for the dichotomous industry variables were as follows: Manufacturing: 0.04 (0.21); retail, 0.14 (0.35); investment bank, 0.04 (0.19); telecommunications, 0.37 (0.48); KPO, 0.13 (0.33); IT, 0.10 (0.29); BPO, 0.18 (0.38).
single model was used here to test both direct and moderated relations between independent and dependent variables.

To test the mediation relationship, trust as a mediator between PCB and work engagement was tested. A complete mediation model has the form $X - M$, where $X$ is the antecedent (PCB), and $M$ is the mediator (the trust) and $Y$ is the consequence (work engagement) (see Figure 2). The following analyses were conducted to determine the mediating effect of trust:

1) The independent variable (PCB) affects the dependent variable (work engagement) [Path A]. PCB was a significant predictor of work engagement when all the other independent and control variables except trust were included. This relationship was negative with a statistically significant weight of ($\beta = -0.55$, $p < 0.01$), supporting $H2$.

2) The independent variable (PCB) must affect the mediator (Trust) [Path B]. PCB was a significant predictor of trust ($\beta = -0.63$, $p < 0.001$), when all the other independent and control variables were included, supporting $H1$.

3) The mediator (trust) must affect the dependent variable (work engagement) when all the independent variables and control variables except PCB were included. This relationship was found to be positive ($\beta = 0.25$, $p < 0.01$).

To demonstrate mediation, the condition is that the effect of the independent variable on the dependent variable must be less when the mediator is included than when it is not (James & Brett, 1984). In other words, it needs to be shown that when the effect of the presumed mediator (trust) is controlled for, the effect of the predictor (PCB) is minimized or becomes insignificant.

This was assessed using hierarchical multiple regression in which PCB was added to the equation after trust to determine if it added significantly to the amount of variance accounted for engagement. PCB did not add significantly to the equation ($F$ change = 0.18, $p > 0.05$), thus revealing that trust was indeed a mediator of the effect on work engagement. The $R^2$ change was found to be 0.01, smaller than the $R^2$ change caused by adding PCB in the second step (Path A). The beta weight for PCB, when it was added after trust, dropped to -0.03, and was not significant, showing that the effect of PCB was reduced when trust was introduced. Thus, trust satisfied all the requirements of being a mediator in the relationship between PCB and work engagement.

The moderation hypotheses were tested using moderated hierarchical regression analyses. The independent variables were centred before interactions were calculated (Aiken & West, 1991). Regression analyses were performed to examine the moderating effect of I/C on PCB-trust relationship. Across these models, demographic information and dummy coded variables (organizations) were first entered in step 1. PCB and I/C were entered in step 2. In the final step, mean-centred interaction terms between PCB and I/C were entered. The combined regression results are shown in Table 3.

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**Figure 2: Hypothesized Model**
Table 2: Moderating Effect of Individualism on the Relationship between PCB and Trust

<table>
<thead>
<tr>
<th>Steps</th>
<th>Dependent Variable</th>
<th>Trust</th>
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<tbody>
<tr>
<td>Step 1</td>
<td>Control variables</td>
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<tr>
<td>Age</td>
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<tr>
<td>Tenure</td>
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<tr>
<td>Education level</td>
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<tr>
<td>Job Level</td>
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<tr>
<td>Gender</td>
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<td>Manufacturing</td>
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<tr>
<td>Pharmaceuticals</td>
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<td>Telecommunications</td>
<td>0.01</td>
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<td>KPO</td>
<td>-0.03</td>
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<tr>
<td>IT</td>
<td>-0.03</td>
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<td>Investment Bank</td>
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<td>BPO</td>
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<tr>
<td>R²</td>
<td>0.07</td>
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<td>R² Change</td>
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<td>F</td>
<td>4.75**</td>
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<tr>
<td>Step 2</td>
<td>Independent Variables</td>
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<td>Indi/Collect</td>
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<td>R²</td>
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<td>R² Change</td>
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<tr>
<td>F</td>
<td>4.32**</td>
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<tr>
<td>Step 3</td>
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<tr>
<td>PCB Indi/Collect</td>
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<tr>
<td>R²</td>
<td>0.03</td>
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<tr>
<td>R² Change</td>
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<tr>
<td>F</td>
<td>3.4**</td>
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Note: *p<0.05; ** p<0.01; *** p<0.001.

It is observed that the relationship between work engagement and PCB was significant ($\beta=0.11, p<0.01$). In addition, the interaction of PCB and I/C is also significant ($\beta=-0.06, p<0.01$), even after controlling the demographics and the main effects. Thus, Hypotheses 4 is supported. The interaction effect is plotted in Figure 3.

**DISCUSSION**

The domain of organizational research is becoming more international, bringing into question the transportability of social science models from one society to another (Tsui, 2007). Burgeoning body of cross-cultural research has yielded strong evidence that documents the existence of cultural differences of managers from different nations (Hofstede, Hofstede, & Minkov, 1997; Husted & Estudios, 1999; Lenartowicz & Johnson, 2002; Robertson, Gilley, & Street, 2003; Trompenaars, 1994). Evidence suggests that cognitive schemas and motivational mechanisms represented in one’s cultural orientation are likely to shape employee-organization relationship (Hannah & Iverson, 2004; Sparrow, 1998; Thomas, Au, & Ravlin, 2003). Therefore, mature theory development requires incorporation of contextual factors and a broader reach into the global arena (Whetten, 1989; Hui, Lee, & Rousseau, 2004).

One of the criticisms with existing literature on psychological contract is that most previous studies have been often data-driven rather than theory-based (Hunter & Schmidt, 2004). The current study employs theoretical framework of affective events and social exchange theory to explain why events happening at the workplace (such as psychological contract breach) lead to attitudes and behaviours (Weiss & Cropanzano, 1996; Zhao et al., 2007) and also examines the role of personality in the PCB-outcome relationship.

The results of this study reveal that like their counterparts in the West, Indian employees perceive their psychological contract to be breached and this has deleterious effects on many important attitude and behaviours like trust and engagement. The extant literature suggests that psychological contract breach does not always lead to adverse reactions among employees. Since PC is subjective in nature, how an employee actually responds to an unmet promissory expectation is likely to be governed by the personality disposition. Providing more insight into the psychological contract breach process, these results suggest that perceptions of breach in conjunction with personality effect employee reactions to trust. The results of this study also suggest that individualism/collectivism

Figure 3: Moderating Role of Individualism in PCB-Trust Relationship
(I/C) value has moderating effects on one’s behavioural responses to PCB. Both individualist and collectivists reacted negatively to breach but the negative effects of PCB on trust was stronger for employees with collectivist values than individualists. Although the interactive effects involving breach and I/C in predicting trust were significant, the findings were counterintuitive and require further elaboration.

Wagner (1995) suggests that employees with individualistic values view the self as being separate from others. They are concerned with personal achievement and give priority to personal goals over the goals of collectives. They are task-oriented and are attracted to the job content or promotional plan (Boyacigiller & Adler, 1991). Individualists tend to cooperate with others in a group to the extent that such group work is instrumental to the attainment of individual goals that cannot be obtained by working alone (Ramamoorthy & Flood, 2002). On the other hand, collectivists define themselves by a group membership (Earley & Gibson, 1998; Triandis, 1995). They are people-oriented (Hofstede, 1984), and seek close and long-term relationships. Collectivists view their relationship as having moral elements; they commit to organizations due to their ties with colleagues or supervisors (Boyacigiller & Adler, 1991). They view the self as embedded in social context and they have a strong need for interpersonal harmony in the work environment. However, high levels of breach results in a sharp drop in the levels of trust among the collectivists. Perhaps an experience of high breach may be inconsistent with the collectivists’ assumption of what is expected in a good employment relationship and thus may be viewed as a betrayal of trust upon which the employment relationship is built. Moreover, breach may implicitly communicate to the collectivists that their employer has undervalued the relationship in which they have invested.

The findings of this study also suggest that the assumption that people in the same culture are largely homogenous and that everyone in a collectivistic culture is a collectivist, and everyone in an individualistic culture would be an individualist is too much of a generalization. In spite of inter-country differences, this study once again noted that there could also be substantial within-country variation on this dimension (Oyserman, Coon, & Kemmelmeier, 2002).

The mediating role of trust in PCB-outcome relationship significantly advances our understanding about psychological contract breach. Thomas et al. (2003) theorized that employees in collectivistic societies have a higher threshold for the perception of PC breach, yet once breach is perceived, they experience more negative affective reactions. Supporting this argument, the results of this study suggest that when promises are broken (in India), employees’ trust towards the organization is shaken, which in turn has negative consequences on employee attitudes and behaviours. In line with recent literature, it confirms the role of affective attitudes (trust) as the underlying mechanism between PCB-outcome relationships. This means that although, breach is a cognitive assessment of how well the employer has fulfilled or not fulfilled its promises, this assessment in turn has attitudinal consequences (trust), which is why the prime explanation to PCB-outcome relationship. Employees do not react to perceived breaches, but they react when they perceive loss of trust.

MANAGERIAL IMPLICATIONS

This study has practical implications. Since PCB has deleterious effects, organizations should also undertake efforts to prevent negative consequences of contract breach. To avoid perceptions of breach, employee expectations need to be understood holistically; that is, taking individuals and their social contexts into account (Budhwar & Bhatnagar, 2009; Budhwar & Khatri, 2001). Absence of clear expectations over contract elements conveyed to employees has been recognized as one of the potential causes of PCB. Organizational agents (e.g. human resource staff, supervisors, and managers) responsible in the recruitment process should exercise caution in conveying promises to the job applicants and clearly establish the parameters and conditions of employment during recruitment. HR professionals need to take into account context-specific nature of work relationships before crafting HR policies and strategies.

Organizations should make periodic assessment of employees’ understanding of psychological contract and discuss organizational imperatives so that employees and the organization (or their representing leaders) are “on the same page”. Managers should do their best to reduce uncertainty, provide regular and clear feedback, and maintain clear communication with employees so that
subjectivity remains low and there are fewer chances of breach happening, which in turn leads to unwanted outcomes. In terms of the role of individual personality on PCB, since collectivists are more prone to negative implications of PCB, organizations should be proactive in communicating changes which can have an impact on the expectations of employees.

LIMITATIONS AND FUTURE RESEARCH AVENUES

The findings in this study are subject to a number of caveats and caution needs to be exercised while interpreting the results. The cross-sectional design of the present study does not allow us to determine the direction of causality among the variables. The results are vulnerable to opposite and bidirectional relationships. For instance, PCB may also influence quality of relationship with the leader and the organization. Although causation cannot be proven, the societal context of the study, past empirical research, and theoretical justification behind the hypotheses do strongly support the directions suggested in the model. Nevertheless, longitudinal and experimental studies are needed to provide evidence of causation.

Further, in a huge country like India, one can draw only very tentative conclusions based on data collected from eight organizations located in one city. Therefore, future replications and extensions are necessary to circumscribe the generalizability and applicability of findings reported here.

Despite these limitations, this study highlights important findings and suggests some important directions for future research. It has been found that gender, age, tenure, and level of education are among the most fundamental groups to which individuals can belong and membership in such groups may have a profound influence on their perceptions, attitudes, and performance (Pfeffer, 1985; Williams & O’Reilly, 1998). However, in most cases, and in this study as well, the effects of these variables on perceptions of breach are controlled (Bellou, 2007; D’Art & Turner, 2006; Ho, 2005). Studies in future should examine the effects of these factors on perceptions of breach. Further, given the societal context of India and value of paternalism, quality of relationship with supervisor (LMX) can play an important role as an intervening variable in PCB-outcome relationship, and should be explored in future studies.

Studies in future should also extend the range of outcomes of PCB by examining its effects on affective states such as moods, happiness, mental health, resilience, among other positive organizational behaviour constructs. Studies should incorporate not only perceptual and attitudinal variables but also objective outcomes such as turnover or supervisor ratings of performance.

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**Upasna A Agarwal** is an Assistant Professor in Organization Behavior and Human Resource Management at NITIE. Her areas of research interest are Work engagement, Cross-generational differences, Psychological contract, Trust, Organizational conflict, Power politics and Bullying, Employee well-being, and Innovation. She has published her work in national and international journals and also presented them at national and international conferences - *Academy of Management, British Academy of Management, International Human resource Management Conference, to name a few. Some of her recent publications are in *International Journal of Human Resource Management, Personnel Review, and Career Development International*.

e-mail: upasnaagarwal@gmail.com

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EXAMINING PCB-OUTCOMES RELATIONSHIP: MODERATING ROLE OF INDIVIDUALISM