

**The Effects of Psychological Contract Violation on Employees'
Commitment to Organizational Change**

By

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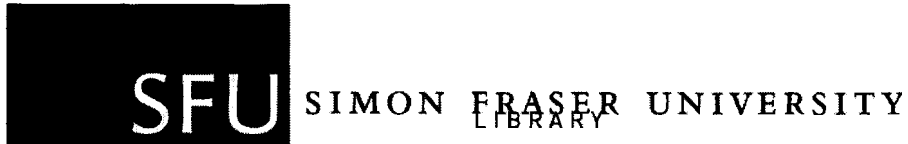
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Abstract

This research examines the relationship between the perceived psychological contract violation and employee's commitment to organizational change in business merger situation. Through the research, it shows that perceived psychological contract violation will significantly reduce the employees' affective commitment to organizational change; increase continuance commitment to organizational change, but will not significantly affect the normative commitment to organizational change. Also, the employee's personality (conscientiousness) does not significantly moderate the relationship between perceived psychological contract violation and the employee's affective, continuance, and normative commitment to organizational change.

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Chapter I: Introduction

Despite many studies regarding the relationship between employee's perception of psychological contract violation and organizational commitment in the past decade; there is little research upon how perceived psychological contract violation affects employees' commitment to organizational change. Therefore, this research is essentially inductive in this field.

The research project was based upon the merger case of two BC financial institutes. In Summer 2002, to win the edge in the intense competition within the financial services sector, ABC Savings, one the top five Credit Unions in Canada, officially transferred its assets to XYZ Credit Union, and created a single credit union that was the country's largest in terms of the amount of membership and second largest in terms of assets at that time. Nowadays, it has become popular that companies choose business merger as the way to acquire capital or resources in order to generate substantial profit margin in a short period (Cartwright & Cooper, 1993).

Meanwhile, merger has been considered as one of the most radical organizational changes. The researchers (Tushman, Newman, & Romanelli, 1986) point out that people in organizations usually are resistant to change. And the resistance force is even stronger when implementing a radical change in an organization because that a radical change is a

sudden action in organization, and often resisted by the old beliefs, old organization culture, and employee's inertia.

In most merger cases, the management team mainly concentrates on closing the deal and starting to run the new business. It is most common that the manager team spends the majority of its time on resolving the problems being raised from financial and legal aspects and tends to ignore the people factors. According to the study of human effects in business merger situation (Cartwright & Cooper, 1994), it shows that most mergers do not realize their value (substantial profit increase) because that the management team frequently mismanages the people issues.

As Greenhalgh and Rosenblatt (1984) state out in their paper that during the period of radical organizational change such as mergers, employees may feel that their commitment to the organization have changed, usually decreased. The main factors leading to decreased commitment during this organization transition include job insecurity, decreased trust, job redesign, and increased stress (Dordevic, 2004).

Also, the psychological contract held by an employee consists of beliefs about the reciprocal obligation between the employee and employer. Employees assume if they work hard, their jobs will be safe. But business merger may change this employee/employer relationship. Merger may cause the employees to re-evaluate the original psychological contract they have had with the original employer and may

perceive the original psychological contract being violated, which usually leads to reduced commitment to the organization as well.

However, relatively little is known about whether the perceived psychological contract violation may change the employee's commitment to organizational change, which will define the scope in regards to the success or failure of a business merger. Therefore, the major research question of this study is to investigate the effects of perceived psychological contract violation upon employee's commitment to organizational change; and whether the employee's personality, in terms of conscientiousness, may moderate the effects.

Chapter II: Literature Review

2.1 Psychological Contract Studies

Psychological contract has become an academic research interest over the past decades because it lays the solid foundation of employment relationships (Rousseau 1989).

Argyris (1960) originally utilized the concept of psychological contract but he did not define the psychological contract clearly in his study (Andersoni & Schalk, 1998).

Levinson et al. (1962) clarified the concept of psychological contract and described it as the sum of mutual expectations between the organization and the employee. The concept was utilized to emphasize the implicit and unspoken expectations that determine the relationship between the organization and individual (Andersoni & Schalk, 1998). Based upon the above two studies, Schein (1965) developed the concept of psychological contract further (Coyle-Shapiro & Kessler, 2000). Schein (1965) states that: “the notion of a psychological contract implies that the individual has a variety of expectations of the organization and that the organization has a variety of expectations of him.” (P.11).

However, the problem is how to compare the expectations from the organization and the employee (Andersoni & Schalk, 1998).

Rousseau’s (1989) study on the psychological contract has been considered as the transition point that shows a breakthrough in this research area (Coyle-Shapiro & Kessler, 2000). The researcher defined the psychological contract as “an individual’s

beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party” (Rousseau, 1989, P.23). This may consist of a belief, such as that an organization has promised to provide career development opportunities in exchange for employee’s good performance at work. The belief does not need to be agreed to formally by the employee and the employer; it exists based on the employee’s perceptions. Since the creation of Rousseau’s definition, the following researches generally kept consistent with it although Guest (1998) presented the conceptual and empirical obstacles regarding the definition.

In this paper, I adapt Rousseau's (1989) approach in regards to the psychological contract as individual employee’s beliefs about the mutual exchange relationship between the employer and the employee. The next question is regarding the function of psychological contract. According to the research of Andersoni & Schalk (1998), it has been stated that the first function of psychological contract is to reduce the insecurity in the relationship between the organization and the employee. They also argued that psychological contracts may strengthen the employment relationship because the written employment contracts may not be able to capture all possible aspects of the relationship between the employee and their employer. It has been clearly addressed that the psychological contract helped to explain the aspects that were not addressed in the formal contract. Meanwhile, the second function of the psychological contract was to help the employee to form his or her behavior. An employee could weigh the individual obligations towards the organization against the obligations of the organization towards the employee and adjusts his or her behavior accordingly.

From the above stated, the psychological contract held by an employee consisted of beliefs about the reciprocal obligations between that employee and his or her organization (Rousseau, 1990). Now we are living in a new era, an age of discontinuous change. Organizations have recently come under pressure to make rapid and constant changes in operations. It will unavoidably change the employment relationship, which also implies the change in the employee's psychological contract.

Morrison & Robinson (1997) point out that psychological contract violation refers to the "feelings of anger and betrayal that are often experienced when an employee believes that the organization has failed to fulfill one or more of those obligations."

A violation of the psychological contract occurs when an individual feels a difference between what the obligations the organization actually has fulfilled and what promises the organization previously made about those obligations.

As it is known that employee's psychological contract has been established upon trust since it is not written down, therefore violation of the contract may result in strong emotional reactions and feelings of betrayal among employees. As the empirical studies (Robinson & Rousseau, 1994) show that violations of psychological contracts correlate positively with employee turnover rate and negatively with job satisfaction and intentions to remain with the organization.

Andersoni & Schalk (1998) also identified that an additional consequence of the psychological contract violation - that employees may build up a negative belief that their organization lack of integrity. Therefore, the employees might hold long-term negative emotions towards their organization. And the researchers point out that such negativity might also take the form of behavioral responses expressed through diminished organizational citizenship (Robinson & Rousseau, 1994).

2.2 Merger Studies

Merger means joining of two organizations to form a larger and more powerful organization (Cartwright & Cooper, 1993). In the past two decades, merger has become a main business conduct all over the world because at most of the time the management team believes that merger can increase the profit enormously and quickly for the new organization. However, it has been a major concern whether the merger will actually bring out what the management team originally intends to get from this business conduct.

In the same research of Cartwright & Cooper (1993), the authors point out that the empirical studies show mergers do not always have the positive impact on the increased profitability. According to the recent estimate, the overall merger success rate is 23% in U.S and 50% in U.K. The high failure rate in merger cases is mainly rooted from the neglect of the employees' attitudes and behaviors towards organizational change in the merger context.

Cartwright & Cooper (1993) state that merger differs from any other process of major organizational change in three important aspects in terms of the change rate, the change

scale, and most critically, the uncertainty. Also, merger will definitely result in the significant change in the original work networks which individuals have been familiar with. In such a context, a key issue is to understand the employee's perception of psychological contracts violation during the radical organizational change.

As the employee's psychological contract composes of subjective beliefs regarding an exchange agreement between an individual and the organization (Rousseau, 1995), this contract is based upon a promise and overtime develops into a relatively durable mental model or schema. In a novel situation, such as a merger, these schemas can function on an interpretative and inferential basis although each side may have very different expectations of each other. However, when expectations were not met, dissatisfaction could occur, which may lead to the employee's perception of original psychological contract being violated.

2.3 Commitment to Organizational Change

Meanwhile, a study by Cartwright & Cooper (1994) found that low levels of organizational commitment and job satisfaction would occur during merger or acquisition process. Iverson & Buttigieg (1999) point out in their research that attitudinal commitment and behavioral commitment are two distinguished and related components of organizational commitment. The attitudinal commitment, or in terms of affective organizational commitment, indicates how loyal an employee is towards the employee's organization. This concept of commitment addressed an individual's identification and involvement in his or her organization. Meanwhile, behavioral commitment reflects the

process by which individuals link themselves to an organization and focus on the action of the individuals.

Although the early research work in organizational commitment area was characterized by various one-dimensional views of the construct, currently, the organizational commitment was mainly recognized as a multidimensional work attitude (Mathieu & Zajac, 1990). Due to the multidimensional construct of commitment, there was lack of unanimous definition regarding the organizational commitment in the academic research (Meyer & Allen, 1991).

In the research of Allen & Meyer (1990, 1996), they integrated the various conceptualizations regarding organizational commitment and stated a three-component model of the commitment. In this model, the authors stated that the three components were affective component of commitment, continuance component of commitment, and normative component of commitment. To be specific, the affective component of organizational commitment mainly referred to the emotional attachment of the employees' towards the organization. The continuance component of organizational commitment was different from the affective component of commitment in such a way that it referred to the commitment that was established upon the costs that employees related to whether leaving the organization. Meanwhile, the normative component of commitment referred to that the employees felt they had the obligation to remain with the organization. It was a rather strong sense of responsibility towards the organization than the affective emotional attachment to the organization.

Also, Meyer & Herscovitch (2001) argued that despite of the multiple dimensions of the organizational commitment, there had to be a core essence that characterizes the construct and distinguishes it from other constructs. Therefore, Meyer & Herscovitch (2001) defined the organizational commitment as "a force [mind set] that binds an individual to a course of action of relevance to one or more targets ", based on their review of the previous studies.

A mentioned above, nowadays mergers have become the common phenomenon in the business world. One key factor to decide merger success or failure is the employees' attitude and performance during the time of organizational change. Whether the employees support the merger may play the significant role in the merger process. According to Meyer & Herscovitch (2001), despite many studies regarding organizational commitment and its effect on organizational behavior, it is still rare in the research field that how the organizational commitment will be like in the organization change context.

Herscovitch and Meyer (2002) argued that the employees' commitment to change could be a better indicator than employees' organizational commitment in terms of predicting their behavior during organizational change time period. Therefore, Herscovitch and Meyer (2002) provided an extended three-component model of commitment in the organizational change circumstances. The model clearly explained the three components of the commitment to organizational change. The authors (Herscovitch and Meyer, 2002)

adopted the definition of Meyer & Allen (1991) regarding the organizational commitment, which was defined as "a force [mind set] that binds an individual to a course of action of relevance to one or more targets." Meanwhile, Meyer & Allen (1991) also stated that this force or mind set could manifest in different forms: desire (affective commitment), perceived cost (continuance commitment), or obligations (normative commitment). Consequently, Herscovitch & Meyer (2002) defined the commitment to organizational change as a force (mind-set) that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative. Meanwhile, the mind-set that bound an individual to this course of action can reflect (a) affective commitment to change – willingness to provide support for the change based on an individual's belief in benefits that the organizational change can bring to the employee (b) continuance commitment to change - a recognition that there are costs related to not support the organizational change, and (c) normative commitment to change - a sense of obligation or responsibility to provide support for the organizational change no matter what the change means. In other words, employees could feel bound to support an organizational change because they want to, have to, and/or ought to. Their study also showed that these mind-sets could be measured. According to the results, it shows that each mind-set could be distinguishable from one another, and from mind-sets related to organizational commitment itself.

Based upon the previous academic studies, I developed three hypotheses regarding the effect of perception of psychological contract violation upon employees' commitment to organizational change:

Hypothesis 1: Perception of psychological contract violation will be negatively related to employees' affective commitment to organizational change.

Hypothesis 2: Perception of psychological contract violation will be positively related to employees' continuance commitment to organizational change.

Hypothesis 3: Perception of psychological contract violation will be negatively related to employees' normative commitment to organizational change.

2.4 Personality Studies

Meanwhile, the relationship of individual's personality and perception of psychological contract violation has been studied by the researchers in the past years. According to the recent study regarding the impact of personality on psychological contracts (Raja, Johns, & Ntalianis, 2004), employee's personality tends to predict the individual's perception of psychological contract violation.

In the recent decade, the five-factor model (abbreviated as Big Five) has been widely accepted among the personality psychology researchers (Judge & Bono, 2000). The Big Five traits are broad personality constructs that are manifested in more specific traits to be focused on. The Big Five traits are concluded as following: extraversion, agreeableness, conscientiousness, neuroticism, and openness to experience.

Conscientiousness is the trait from the five-factor model that best correlates with job performance (Judge & Bono, 2000).

In another study of Judge & Ilies (2002), they illustrated the relationship of employee's personality to his/her performance motivation. In the study, the author provides a meta-analysis of the relationship between the five-factor model of personality and the three theories of performance motivation in terms of goal-setting, expectancy, and self-efficacy motivation. Results indicated that neuroticism and conscientiousness are the strongest traits related to the high performance motivation.

Individuals with high conscientiousness are methodical and dependable, and opposite to take risk (Goldberg, 1990). They tend to exhibit high performance and to be satisfied with their jobs (Barrick & Mount, 1991). People who are rating high on this trait exhibit motivation for achievement, and they are more concerned with task accomplishment than with economic rewards (Stewart, 1996).

The study (Barry et al, 1997) also described that the conscientious individuals were more self-motivated and task-oriented, responsible and trustworthy, and addressed that conscientiousness might be the only trait that could predict an individual's organizational citizenship behavior.

I argue that conscientious people will tend to form long-term employment exchange relationships with their employer. On the other hand, although conscientious people will form relational contracts, they will be very active in monitoring how well their psychological contracts have been maintained and developed. Also, because they are opposite to take risk, they will actively seek information regarding their exchange relationships with organizations so that they do not face any unknown circumstances.

Hence, when an organization has to implement change, for example, business merger, the individuals who are high on conscientiousness may become more like to support the organizational change since they may take it as their obligation and responsibility to help the organization to achieve the goal. I therefore suggest that personality in terms of conscientiousness will interact with perception of psychological contract violation in predicting employee's affective, continuance, and normative commitment to organizational change.

Consequently, except the three hypotheses being stated previously, I developed three more hypotheses for this research -

Hypothesis 4: Personality will moderate the negative relationship between perception of psychological contract violation and employees' affective commitment to organizational change in such a way that the relationship will be weaker for employees high in conscientiousness.

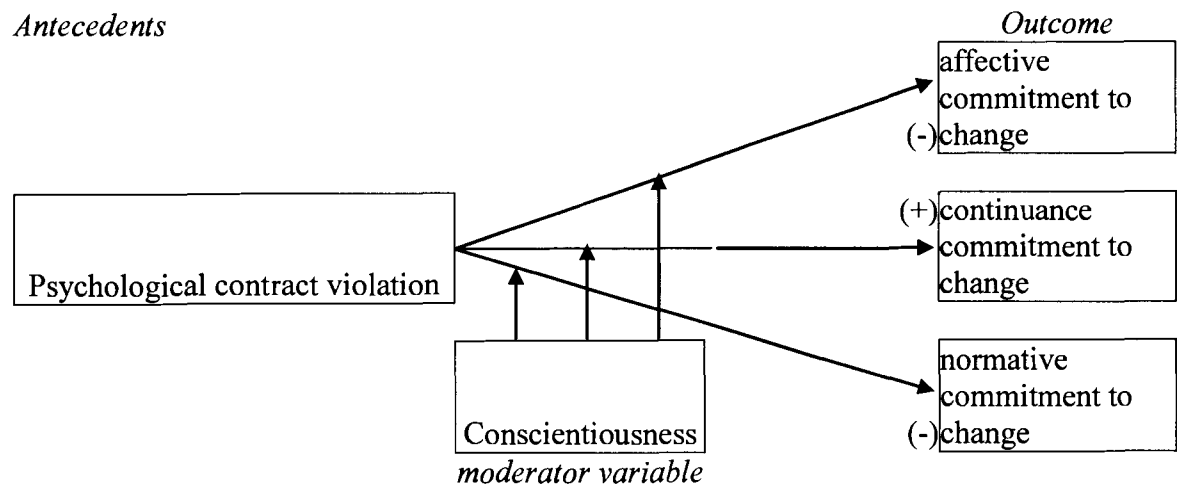
Hypothesis 5: Personality will moderate the positive relationship between perception of psychological contract violation and employees' continuance commitment to organizational change in such a way that the relationship will be weaker for employees high in conscientiousness.

Hypothesis 6: Personality will moderate the negative relationship between perception of psychological contract violation and employees' normative commitment to organizational change in such a way that the relationship will be weaker for employees high in conscientiousness.

2.5 Research Model

Combined the six hypotheses, I present the conceptual model of the “perception of psychological contract violation – employees’ commitment to organizational change, examination of moderating effects of individual’s personality in terms of conscientiousness” as below –

Figure 1- The Conceptual Model of Perception of Psychological Contract Violation – Employees’ Commitment to Organizational change



Chapter III Methodology

3.1 Research Background and Sample

In year 2002, the research was conducted in a newly merged financial institute in Canada, which provided services to the customers across the country. A multiple-item survey (requesting identifying information on the individual) was administered during working hours to a group of 55 call center customer service representatives.

Survey instructions emphasized that participation in the study was voluntary and confidential. Each customer service representative had two weeks to complete the survey and return the questionnaire.

The research was focused on customer service representatives for two reasons:

- (1) Customer service representatives make up the largest percentage of the employees in the newly established organization.
- (2) There is relatively little research on service employees in regards to perception of psychological contract violation.

Totally 38 valid questionnaires were collected and used as the research data for this project, which represented a response rate of 69%. Among them, 68% of the respondents were female and 32% of the respondents were male. The average age of the respondents was 32.95 years old (SD = 10.52 years). The average tenure of the employees was 4.67 years long (SD = 4.12 years). Meanwhile, 18% of the respondents held high school

diploma; 42% of them completed some post-secondary education; 26% of the representatives have diploma or technical degree; and 13% of the employees have gained university degree. Meanwhile, majority of the employees (79%) worked full time in the company, compared with 21% part-time co-workers. And all of the employee related background data were shown in Table 1 below.

Table 1. Demographic Background Data

Personal Characteristics	
Age Level	
Mean	32.95
(s.d.)	10.52
Gender	
Male	32%
Female	68%
Educational Level (High School and Above)	
Mean	4.34
(s.d.)	0.94
Tenure	
Mean	4.67
(s.d.)	4.12
Employment Status	
Full Time	79%
Part Time	21%

3.2 Measures

All items in the survey were measured on a 5-point Likert scale (5=Strongly Agree, 1=Strongly Disagree) with the exception of demographic details. Predictor, dependant, and moderator measures were developed for this study. Also, the reliability test of the multiple-item scales (Cronbach's alpha) has been conducted and the results were listed Table 2.

Table 2. – Measures for the Study and Reliability Test

PVC, Commitment to Organizational Change, and Personality Scales (N=38)

Independent Variable -

Measurement 1: Overall Psychological Contract Violation (psycover, single item)

Measurement 2: Three Facets of Psychological Contract Violation (3 items, alpha = .85)

- 1) Fulfilled obligations to provide employees with career development
- 2) Fulfilled obligation to pay employees based on level of performance
- 3) Fulfilled obligations to provide employees with sufficient power to do their jobs effectively

Dependant Variable -

Measurement 3: Affective commitment to organizational change (6 times, alpha = .92)

- 1) I believe in the value of this merger
- 2) This merger is a good strategy for the organization
- 3) I think that management is making a mistake with this merger
- 4) This merger serves an important purpose
- 5) Things would be better without this merger
- 6) This merger is not necessary

Measurement 4: Continuance commitment to organizational change (6 items, alpha= .87)

- 1) I have no choice but go along with this merger
- 2) I feel pressure to go along with this merger
- 3) I have too much at stake to resist this merger
- 4) It would be too costly for me to resist this merger
- 5) It would be risky to speak out against this merger
- 6) Resisting this merger is not a viable option for me

Measurement 5: Normative commitment to organizational change (6 items, alpha = .73)

- 1) I feel a sense of duty to work towards this merger
- 2) I do not think it would be right of me to oppose this merger
- 3) I would not feel badly about opposing this merger
- 4) It would be irresponsible of me to resist this merger
- 5) I would feel guilty about opposing this merger
- 6) I do not feel any obligation to support this merger

Moderator Variable -

Measurement 6: Personality Conscientiousness (5 items, alpha = .66)

- 1) I do just enough work to get by
- 2) I find it difficult to get down to work
- 3) I am always prepared
- 4) I pay attention to details
- 5) I make plans and stick to them

3.2.1 Global measure of perception of psychological contract violation

Perception of psychological contract violation was measured through two scales. The first scale ‘overall psychological contract violation’ was consisted of one global item assessing the extent to which the organization had failed to fulfill its obligations. This measure was developed specifically for this study. Item was as follows: “the organization has failed to meet the obligations that were promised to me.” Also, this measure has been abbreviated as ‘psycover’ for this study particularly.

3.2.2 Facet-specific measure of perception of psychological contract violation

In an attempt to improve on the content validity of previous measure regarding perception of psychological contract violation, except using the global-item measure of ‘psychological contract violation’, the second scale which consisted of a set of facet-specific measures has been developed for this study. I adapted the measurement procedure suggested by Robinson and Morrison (2000) who recommended the use of the facet-measure of perceived contract violation as the most appropriate method of evaluating how an individual’s contract had been violated. This scale has been used as item parcels, where the average across the parcel is the indicator for the construct “psychological contract violation” (abbreviated as ‘psychcont’ for this study particularly).

This scale consisted of three facet-specific items and was similar to measures used previously by Rousseau and Robinson (1994). It assessed the extent to which the organization had failed to fulfill its obligations on different aspects of work (e.g., career

development, pay for performance, and job autonomy). These measures were developed specifically for this study. Items were list as follows:

- 1) The organization has fulfilled its obligations to provide employees with career development.
- 2) The organization has fulfilled its obligations to pay employees based on level of performance.
- 3) The organization has fulfilled its obligations to provide employees with sufficient power to do their jobs effectively.

All of three items were reversely scored. A higher score on the three items indicated a greater perception of psychological contract violation. And the Cronbach's alpha for 'psychcont' was 0.85.

3.2.3 Commitment to organizational change

Meanwhile, the variables of commitment to organizational change were developed based upon Herscovitch and Meyer (2002) 18-item measures of commitment to organizational change for affective, continuance, and normative commitment to organizational change. Based on the data analysis result, the Cronbach's alpha for the affective commitment to organizational change (abbreviated as 'affcom') was 0.92, for continuance commitment to organizational change (abbreviated as 'contcom') was 0.87, normative commitment to organizational change (abbreviated as 'normcom') was 0.73.

3.2.4 Conscientiousness

The variable of “Conscientiousness” was developed specifically for this study based upon the resource of International Personality Item Pool (<http://ipip.ori.org/ipip>). The Cronbach’s alpha for the variable of conscientiousness (abbreviated as ‘consc’) was 0.66.

3.3 Analysis

3.3.1 Scale development and validity

Before testing the hypothesis, a series of principal-component factor analysis using varimax rotation for the three dependant variables of affective organizational commitment to change, continuance commitment to change, and normative commitment to change have been conducted. The purpose for conducting factor analysis for the multi-item scales is to capture the ‘essense’ of the data and reduce the information down to key factors. All of the factor analysis results have been shown in table 3.

According to the factor analysis, all of the six items for affective commitment to organizational change have been measuring the same single dimension, which means the desire to support the organizational change. Meanwhile, for continuance commitment to organizational change, there were two factors with high loadings (>0.60): 1) contcoma (item 1, 2, 6) which measured employees’ options they were facing business merger situation and 2) contcomb (item 3,4,5) which measured employees’ perceived cost if they were opposite to the merger. In this research, I chose the newly created item ‘contcomb’ - employees’ perceived cost if they were against the business merger - as the dependant variable for employees’ continuance commitment to organizational change based upon

the definition from the research of Herscovitch and Meyer (2002). The reliability test showed that Cronbach's alpha for the newly created scale 'contcomb' was 0.84.

Also, when conducting the factor analysis for normative commitment to organizational change, there were two factors with high loadings as well (>0.60): 1) normcoma (item 1, 6) which measured employees' obligation to support the merger (Cronbach's alpha = 0.60) and 2) normcomb (item 2,3,4,5) which measured employees' feeling right or guilty if they opposed the merger (Cronbach's alpha = 0.73). The reliability test showed the Cronbach's alpha for factor 1 item is 0.60, which was too low to be utilized for this study. Therefore, I chose factor 2 item (normcomb) - employees' feeling about right or guilty if they opposed the merger - as the dependant variable regarding employee's normative commitment to organizational change.

3.3.2 Test methodology

To examine the theoretical model being developed in this study, hypothesis 1, 2, 3 were tested with regression analysis and examined the relationship between perceived psychological contract violations and affective, continuance, and normative commitment to organizational change. Also, Hypothesis 4, 5, 6 were tested with hierarchical moderated regression (Baron & Kenny, 1986). Independent variable (perceived psychological contract violation and conscientiousness) is centered around zero before creating the interaction term (Aiken & West, 1991). Control variables were entered (sex, tenure in organization) in step 1, perceived psychological contract violation and conscientiousness were entered in step 2 &3, and hypothesized interaction item was

entered in step 4. The significance of each step with the ΔR^2 was assessed and reported in table 5. Since hypotheses were directional, one-tail test was used to interpret the results.

Table 3. Factor Analysis of Commitment to Organizational Change Items

Dependant Variable 1	Factors	
Affective commitment to organizational change items	I	II
1. I believe in the value of this merger	0.92	
2. This merger is a good strategy for the organization.	0.89	
3. I think that management is making a mistake with this merger. (R)	0.84	
4. This merger serves an important purpose.	0.88	
5. Things would be better without this merger. (R)	0.85	
6. This merger is not necessary. (R)	0.78	
<i>Note: It shows affective commitment to organizational change measures single dimension</i>		
Dependant Variable 2	Factors	
Continuance commitment to organizational change items	I (contcomb)	II (contcoma)
1. I have no choice but to go along with this merger.	0.23	0.90
2. I feel pressure to go along with this merger.	0.55	0.64
3. I have too much at stake to resist this merger.	0.92	0.23
4. It would be too costly for me to resist this merger.	0.93	0.13
5. It would be risky to speak out against this merger.	0.61	0.51
6. Resisting this merger is not a viable option for me.	0.13	0.87
Eigenvalue	3.67	1.06
% variance explained	61.30	17.70
Cumulative % variance explained	61.30	79.00
Cronbach's alpha	0.84	0.83
<i>Note: Eigenvalues and percentage of variance accounted for by factor 1 and 2 regarding continuance commitment to organizational change were 3.67 (61.30%) and 1.06 (17.70%), respectively</i>		
Dependant Variable 3	Factors	
Normative commitment to organizational change items	I (normcomb)	II (normcoma)
1. I feel a sense of duty to work towards this merger.	0.06	0.87
2. I do not think it would be right of me to oppose this merger.	0.75	0.19
3. I would not feel badly about opposing this merger. (R)	0.61	0.36
4. It would be irresponsible of me to resist this merger.	0.72	0.15
5. I would feel guilty about opposing this merger.	0.82	-0.06
6. I do not feel any obligation to support this merger. (R)	0.19	0.76
Eigenvalue	2.54	1.16
% variance explained	42.42	19.35
Cumulative % variance explained	42.42	61.77
Cronbach's alpha	0.73	0.60
<i>Note: Eigenvalues and percentage of variance accounted for by factor 1 and 2 regarding normative commitment to organizational change were 2.54 (42.42%) and 1.06 (19.35%), respectively</i>		

Note: 1) Principal-component analysis with varimax rotation was performed.

2) Each item's highest loading is presented in boldface.

3) R means reversely coded.

3.4 Results

3.4.1 Correlation and multiple regression test

Correlations among the variables in this study are summarized in table 4. It appears employee's gender and tenure doesn't have significant correlation on employee's perceived psychological contract violation.

Table 4. Correlation Matrix

Means, s.d., and Intercorrelations Among Study Variables (N = 38)

Variables	Mean	s.d.	1	2	3	4	5	6
1.sex	32.95	10.52						
2.tenure	4.67	4.12	-0.16					
3.psychcon	2.45	0.90	-0.14	-0.18				
4.consc	4.13	0.49	-0.08	0.00	0.03			
5.affcom	4.14	0.65	0.03	0.23	-.35*	0.27		
6.contcomb	2.19	0.97	-0.01	0.00	0.43**	-0.10	-0.67**	
7.normcomb	2.92	0.83	-0.17	0.04	0.16	0.19	-0.37*	0.55**

Note: sex - 1=female, 2= male

*p<.05

**p<.01

The inter-correlation matrix for these variables was given in table 4. All correlations were based on a sample of N = 38. There are several correlations that were of our interest. It was apparent that the role that perceived psychological contract violation (PSYCHCON) played in determining an individual's affective commitment (.346, p<0.05) and continuance commitment (0.434, p<0.01) to organizational change.

However, there was no significant correlation between employees' perceived psychological contract violation to employees' normative commitment. It was somehow opposite to what I predicted that perceived psychological contract violation would lower employees' normative commitment to organizational change.

3.4.2 Hypotheses validation

Hypotheses were tested by moderated regression regarding the effects of the perceived psychological contract violations on commitment (affective, continuance, and normative) to organizational change, and whether conscientiousness will moderate the effects. The regression analysis results using one-tailed significance test (Cohen & Cohen, 1983) were summarized in Table 5.

The variables were entered into the regression equation in four steps. The control variables were entered into the first step, the independent variable was added in the second step, the moderator variable was added in the third step, and the interaction term obtained by multiplying the moderator variable by the independent variable was added in the fourth step. Both independent variable and moderator variable were centered to reduce the redundancy.

Result shows that perceived psychological contract violation was negatively related to affective commitment to organizational change ($\Delta R^2 = 0.21$, $\beta = -.37$, $p < 0.05$), positively related to continuance commitment to organizational change ($\Delta R^2 = 0.21$, $\beta = .05$, $p < 0.05$), but not significantly related to normative commitment to organizational change. As a result, hypothesis 1 and 2 were strongly supported; while hypothesis 3 was not supported by the regression.

Meanwhile, the interactions were shown in table 5. It appears that employee's personality in terms of conscientiousness does not moderate the effects of perceived psychological

contract violation on employees' affective, continuance, and normative commitment to organizational change. Hypotheses 4 to 6 were little supported by the regression result either.

Table 5. Regression Analysis for Commitment to Organizational Change

Predictors	Affective commitment to change				Continuance commitment to change				Normative commitment to change			
	β	R ²	adjusted R ²	ΔR^2	β	R ²	adjusted R ²	ΔR^2	β	R ²	adjusted R ²	ΔR^2
Moderator Analysis												
Perceived psychological contract violation												
Step 1												
<i>Control variables</i>												
sex	0.06				-0.11				-0.17			
tenure	0.24				-0.03				0.01			
		0.06	0.00			0.00	-0.05			0.03	-0.03	
Step 2 & 3												
Cpsych	-0.37				0.05				0.16			
Cconsc	0.30				-0.11				0.18			
		0.21	0.17	0.21*		0.21	0.16	0.21*		0.06	0.01	0.06
Step 4												
Cpsych×Cconsc	0.17	0.03	0.00	0.03	-0.15	0.02	-0.01	0.02	-0.17	0.03	0.00	0.03

n=38; control variables are sex and tenure

Cpsych = centered psychological violation

Cconsc = centered conscientiousness

*p<.05 (1-tailed)

Chapter IV Discussion

4.1 Discussion of Regression Results

The regression analysis results suggest that the perceived psychological contract violation has negative influence on employee's affective commitment to organizational change, which will cause the employee be less supportive to the organizational change. Also, the outcome supports the hypothesis that the perceived psychological contract violation has positive effect upon employee's continuance commitment to organizational change, which means the perceived psychological contract violation will lower the employee's cost in not supporting the organizational change. Contrary to the prediction, the perceived psychological contract does not have effect on normative commitment to organizational change. Since normative commitment to organizational change refers to a sense of obligation to provide support for the change, it will not get affected by the perception of psychological contract violation as employee may support the organizational change as own responsibility in work.

Meanwhile, the regression outcome provides little support on that individual's personality (conscientiousness) may moderate the effects of perceived contract violation upon employee's commitment to organizational change. This result does not support the hypotheses in this study. It can be explained as that the conscientious employee is sensitive to monitor and deal with the change in his/her psychological contract; the employee usually can manage his/her expectation towards the organization and seldom perceives psychological contract violation.

4.2 Theoretical and Practical Implications

Recent years have seen a renewal of interest in the phenomena with long histories of research in organizational behavior – personality, psychological contract development and violation, organizational commitment, and the effects of radical organizational change. As the study in regards to the impact of personality on psychological contract (Raja, Johns, and Ntalinanis, 2004), personality characteristics (extraversion, conscientiousness, etc) tend to predict perceptions of psychological contract breach and to moderate the relationship between those perceptions and feelings of contract violation. Also, as the empirical studies (Robinson and Rousseau, 1994) indicate, violations of psychological contracts positively correlate to employees' turnover and negatively with mutual trust, job satisfaction and intentions to remain with the organization. Meanwhile, radical organizational changes often lead to reduced commitment caused by increased job insecurity, increased stress, decreased trust and job redesign. (Dordevic, 2004). Despite many studies regarding the organizational commitment, the commitment to organizational change (Herscovitch & Meyer, 2002) is still a new concept in this area. Therefore, little study can be found regarding the impacts of psychological violation upon the employee's commitment to organizational change (affective, continuance, and normative).

Overall, this study extends the scope current studies in two primary ways. First, it provides initial support for a theoretical model regarding how perceived psychological contract violation may affect employee's commitment to organizational change (affective, continuance, and normative). The perceived psychological contract violation

will reduce employee's commitment to the organizational change, increase employee's continuance commitment to organizational change, but may not affect employee's normative commitment to change. Since employee's commitment to organizational change is one of the key factors to determine the success or failure of the organizational change, it is very important for the management team to reinforce it by applying the right human resources.

Second, the study also explores the new field regarding how employee's personality in terms of conscientiousness may moderate the effects of psychological contract violation upon employee's commitment to organizational change. Although there is no direct moderation effect shown up based upon the regression outcomes, it does indicate that conscientious employees are more obligated in supporting organizational change and keep good work performance. Meanwhile, conscientious employees are more inclined to monitoring the change of their psychological contract and less perceive the psychological contract violation.

The important practical implications from the results of the study pertain primarily to the selection of employees. For example, during recruitment process, HR can take employees' personality test results as references for selecting the suitable candidates, especially to the organizations which implement radical changes from time to time. Also, The research contributes to a growing body of evidence that psychological contract violation does bring negative impact on employee's organizational behaviors, especially during the periods of rapid organizational change. Therefore, it is very important for the

management team to improve working relationships among employees, strengthen effective communication, and form fair decision-making process to assist the employees to perceive the psychological contract development instead of violation (Turnley and Feldman, 1999).

4.3 Limitations

One limitation of this study is the small sample size (N=38). It would affect the generalization of the research results. Also, all the respondents were in customer service sector. It would better to sample respondents in middle management team, to make the sample more cross-section.

Also, the composition of the respondents should be considered as well. In the research sample, two thirds of the respondents were female. The unbalanced gender ration may also have a moderator effect on result which was not tested in the research. Meanwhile, employee's average age (32 years old) and tenure (over 4 years) with the organization may both play important role in employees' perception of psychological contract violation.

Therefore, the future researchers may consider to conduct a cross-section and cross-function study in this area, such as selecting larger samples (N=300) from different industries would help to make the research results more effective and easier to be generalized to other organizations.

4.4 Conclusion

The study supports that perceived psychological contract violation will decrease employee's affective commitment to organizational change, increase employee's continuance commitment to organizational change, while not affect employee's normative commitment to organizational change. Also, employee's personality in terms of conscientiousness has no significant moderator effect on employee's commitment to organizational change.

The findings are valuable to the management team in the practical business world. In order to implement an organizational change successfully, the team has to select suitable strategies in run-up stage, transition stage, and integration stage and ensure the employees perceive their psychological contract being developed instead of being violated. Also, effective communication with the employees is essential to help the employees to handle their psychological contract change properly. If the management team can manage the people issues well, it will lead to a more foreseeable employees' support to the organizational change.

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