



## Can you get a better deal elsewhere? The effects of psychological contract replicability on organizational commitment over time

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### ABSTRACT

Previous research on psychological contracts has focused on whether or not employees feel their employers have fulfilled the promises made to them. Instead, here we examine how perceptions of the external labor market, particularly about whether present psychological contracts could be replicated elsewhere, influence employees' attachment to their current employers. In a longitudinal study of a diverse employee sample, we found perceptions that psychological contracts could not be replicated elsewhere accounted for a substantial amount of the variance in affective commitment (.38) and normative commitment (.29) and a smaller, but significant, amount of the variance in continuance commitment (.04). We also found significant moderating effects of age, work experience, and career stage on these relationships. The article concludes with implications for psychological contract theory, organizational commitment theory, and management practice.

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### 1. Introduction

Recent research suggests that employees may stay with their employers even after their employers have reneged on some elements of their psychological contracts (Ng & Feldman, 2007). A number of unanswered theoretical questions remain regarding why individuals still feel bound to their organizations after expectations have gone unmet—and why, even if all their expectations have been met, some employees choose to leave their organizations nonetheless.

Most of the previous research on psychological contracts has examined how sets of mutual obligations and responsibilities *with the firm* create strong incentives for employees to remain. For example, Turnley and Feldman (1999) suggest that highly involving work, valued coworkers, and good relationships with supervisors can help mitigate the negative effects of psychological contract violations on exit behaviors. Here, we argue that comparisons of psychological contracts with those available in the *external labor market* may also tighten (or loosen) the bonds between employees and employers.

To examine this phenomenon, we introduce a construct called contract replicability. *Contract replicability* is the extent to which an individual perceives that his/her current psychological contract would be readily attainable in other firms. We posit that, when employees perceive that they cannot replicate their current psychological contracts elsewhere, commitment to current employers will be strong even if some expectations have gone unmet. In other words, it is not only whether a contract is fulfilled or not, but also the extent to which an idiosyncratic deal could be crafted elsewhere, that binds an employee to the employer (Rousseau, Ho, & Greenberg, 2006). The first goal of this article, then, is to introduce and operationalize the construct of contract replicability and demonstrate its impact on affective, normative, and continuance commitment to the organization.

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Furthermore, we suggest that the relationship between contract replicability and organizational commitment is likely to vary depending upon an individual's age, work experience, and career stage. Relatively few studies have examined the different ways in which veteran employees and "career starters" formulate and evaluate their psychological contracts. Thus, the second goal of the article is to examine the moderating effects of age, work experience, and career stage on the relationship between contract replicability and commitment and to explain why the strength of these relationships changes across life stages and career stages.

## 2. Theory

### 2.1. Psychological contracts and organizational commitment

Psychological contracts consist of employees' beliefs regarding what employers owe them and what they owe their employers in turn (Lambert, Edwards, & Cable, 2003). Previous studies have found that fulfillment of promises on the part of employers is positively related to employees' organizational commitment (Bunderson, 2001; Coyle-Shapiro & Morrow, 2006).

Organizational commitment is a stabilizing force that binds individuals to organizations (Meyer & Herscovitch, 2001). According to Allen and Meyer (1990), *affective* commitment refers to employees' emotional attachment to, involvement in, and identification with their employers. *Normative* commitment is the perceived obligation to stay, with some connotations of moral imperatives to do so. *Continuance* commitment is the extent to which employees perceive that they have to stay with their employers because the costs of leaving are too high.

The theoretical mechanism by which psychological contracts affect employees' organizational commitment is best explained by social exchange theory. Social exchange theory (Blau, 1964) suggests that reciprocity is an important characteristic of social relationships. Individuals who perceive that they are valued and respected are likely to reciprocate with trust and emotional engagement in exchange. Thus, when organizations demonstrate care and support for employees by promising them favorable or satisfying contract "deals," employees are likely to reciprocate with stronger affective feelings toward their organizations. On the other hand, when employees perceive that employers are only minimally interested in meeting their needs, they are likely to respond with lower loyalty and trust and fewer contributions to the firm. Social exchange theory, then, suggests that perceptions of psychological contracts will directly affect employees' organizational commitment.

### 2.2. Contract replicability

Because psychological contracts have been viewed primarily as social exchanges between participants *within* the same organization, relatively little attention has been paid to whether employees view their psychological contracts as *externally* replicable. As careers have become characterized by greater job mobility (Ng, Sorensen, Eby, & Feldman, 2007), however, perceptions about the external market may increasingly influence perceptions of current psychological contracts.

Here we argue that employees formulate perceptions regarding the uniqueness of their "deals" in the external labor market. These perceptions encompass more than just the recognition that alternative employment opportunities are available elsewhere. They represent, as well, qualitative comparisons of current psychological contracts to those available in other organizations. Moreover, these comparisons are not limited to one or two specific firms. Employees can compare the current deal to those available in other firms in the same industry or to deals in the same functional area in different industries. In making these comparisons, individuals may be affected by cues from headhunters and recent new hires, interactions with others in their professional networks, extensive research, or their own idealism and optimism.

While the construct of contract breach/fulfillment has been largely informed by social exchange theory, contract replicability is informed instead by relative deprivation theory. Relative deprivation theory suggests that employees use multiple standards to judge the fairness of their employment arrangements (Feldman, Leana, & Turnley, 1997). The seminal work on relative deprivation (Crosby, 1982, 1984) suggests that individuals' satisfaction with their job situations depends on what employees *feel entitled to* as well. Consequently, perceptions of the external labor market come into play in the assessments of psychological contracts *ex post*, even if they do not come into play in the development of those contracts *ex ante*.

We suggest that employees are likely to have particularly strong affect toward their employers when the inducements they have been offered are difficult to obtain in the external labor market. First, these unusual benefits (e.g., flexible work schedules) elicit a stronger sense of reciprocation and motivation to exert greater effort on the employer's behalf (Ng, Butts, Vandenberg, Dejoy, & Wilson, 2006). Second, offering a non-replicable deal has symbolic value to the employee; it is tangible proof of an organization's care and concern for the individual. We expect, then, that perceptions of contract unreplicability will be positively related to affective commitment (H1a).

Similarly, perceptions of contract unreplicability will be positively related to normative commitment (H1b). When employees believe that their organizations have offered them some unusual and valuable benefits, they are likely to feel a greater moral obligation to be loyal in return. Conversely, the moral imperative to stay would be lower when the psychological contract is generic for the industry or the occupation. Since a standard employment arrangement does not require any extra effort or flexibility of the employer's behalf, the employee may not feel any greater obligation to stay.

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