Effects of psychological contract breaches on mergers and acquisitions

Kristine M. Murphy
Louisiana Tech University

Follow this and additional works at: https://digitalcommons.latech.edu/dissertations

Part of the Accounting Commons, and the Marketing Commons

Recommended Citation
https://digitalcommons.latech.edu/dissertations/217

This Dissertation is brought to you for free and open access by the Graduate School at Louisiana Tech Digital Commons. It has been accepted for inclusion in Doctoral Dissertations by an authorized administrator of Louisiana Tech Digital Commons. For more information, please contact digitalcommons@latech.edu.
EFFECTS OF PSYCHOLOGICAL CONTRACT BREACHES
ON MERGERS AND ACQUISITIONS

by

Kristine M. Murphy, B.S., M.B.A.

A Dissertation Presented in Partial Fulfillment
of the Requirements for the Degree
Doctor of Business Administration

COLLEGE OF BUSINESS
LOUISIANA TECH UNIVERSITY

November 2014
We hereby recommend that the dissertation prepared under our supervision by Kristine Murphy entitled

Effects of Psychological Contract Breaches on Mergers and Acquisitions

be accepted in partial fulfillment of the requirements for the Degree of Doctor of Business Administration.

Dr. William Sanner, Supervisor of Dissertation Research

Dr. Andrea Drake, Head of Department

Accounting and Information Systems

Advisory Committee

Approved: Dr. Tim Bisping

Director of Graduate Studies

Dean of the Graduate School, Dr. Sheryl Shoemaker

Dean of the College, Dr. Tim Bisping

GS Form 13a
(6/07)
ABSTRACT

This study investigates breaches in the psychological employment contract during mergers and acquisitions. An employee’s contract is incomplete in regards to mergers and acquisitions (M&A). In its place, psychological contracts are formed. Common psychological contracts breached in the M&A process include raises, bonuses, promotions, job responsibilities, job security, and career development. Employees who have experienced an M&A were surveyed to test the severity of various psychological contract breaches and their effect on employee performance, organizational citizenship behavior, job satisfaction, organizational deviance, and turnover using t-tests, Structural Equation Modeling, and ANOVA. The mediating effect of feelings of violation was also tested. Because psychological contract breaches may be unavoidable, the mitigating effect of justice was tested, too.
APPROVAL FOR SCHOLARLY DISSEMINATION

The author grants to the Prescott Memorial Library of Louisiana Tech University the right to reproduce, by appropriate methods, upon request, any or all portions of this Dissertation. It was understood that "proper request" consists of the agreement, on the part of the requesting party, that said reproduction was for his personal use and that subsequent reproduction will not occur without written approval of the author of this Dissertation. Further, any portions of the Dissertation used in books, papers, and other works must be appropriately referenced to this Dissertation.

Finally, the author of this Dissertation reserves the right to publish freely, in the literature, at any time, any or all portions of this Dissertation.

Author  Kristine Murphy
Date  8-1-14

GS Form 14
(5/03)
# TABLE OF CONTENTS

ABSTRACT .................................................................................................................................. iii  
LIST OF TABLES ........................................................................................................................ x  
LIST OF FIGURES ................................................................................................................... xiii  
ACKNOWLEDGMENTS ........................................................................................................ xiv  
CHAPTER 1 INTRODUCTION ................................................................................................. 1  
CHAPTER 2 LITERATURE REVIEW ..................................................................................... 7  
  Incomplete Contracts .............................................................................................................. 7  
    Gietzmann (1996) ........................................................................................................... 8  
    Falk, Gächter, & Kovács (1999) ................................................................................... 10  
    Fallan (2000) ................................................................................................................ 12  
    Christ, Sedatole, & Towry (2012) ............................................................................ 14  
    Christ, Emett, Summers, & Wood (2012) ................................................................. 16  
    Summary ....................................................................................................................... 19  
Psychological Contracts ....................................................................................................... 20  
    Smith (1993) ............................................................................................................ 22  
    Martin (1995) ............................................................................................................ 22  
    Schofield (1996) ........................................................................................................ 23  
    Morrison and Robinson (1997) ............................................................................. 24  
    Mac Rory (1999) ...................................................................................................... 24
CHAPTER 5 CONCLUSION

Summary of Findings

Implications of the Findings
### LIST OF TABLES

| Table 1 | Comparison of Old and New Psychological Contracts | 41 |
| Table 2 | Demographic Information | 71 |
| Table 3 | Demographic Information: Correlation Table | 83 |
| Table 4 | Control Variables: Correlations with Psychological Contract Breaches | 84 |
| Table 5 | Control Variables: Standardized Regression Weights for Control Variables and Feelings of Violation | 85 |
| Table 6 | Control Variables: Standardized Regression Weights for Control Variables and Employee Performance | 85 |
| Table 7 | Control Variables: Standardized Regression Weights for Control Variables and Organizational Citizenship Behavior | 85 |
| Table 8 | Control Variables: Standardized Regression Weights for Control Variables and Job Satisfaction | 86 |
| Table 9 | Control Variables: Standardized Regression Weights for Control Variables and Organizational Deviance | 86 |
| Table 10 | Number of Participants Who Experienced Psychological Contract Breaches | 89 |
| Table 11 | Number of Participants Who Experienced Psychological Contract Breaches | 89 |
| Table 12 | Confirmatory Factor Analysis Fit Indices: Root Mean Square Error of Approximation & Comparative Fit Index | 93 |
| Table 13 | Confirmatory Factor Analysis Convergent Validity: Average Variance Extracted | 94 |
| Table 14 | Confirmatory Factor Analysis Convergent Validity: Construct Reliability | 95 |
Table 15  Confirmatory Factor Analysis Discriminant Validity: Average Variance Extracted & Squared Interconstruct Correlation ........................96

Table 16  Confirmatory Factor Analysis Nomological Validity: Correlations by Psychological Contract Breach .................................................................................................................................98

Table 17  SEM Fit Indices: Root Mean Square Error of Approximation & Comparative Fit Index .................................................................................................................................100

Table 18  Descriptive Statistics for Psychological Contract Breaches and Feelings of Violation........................................................................................................................................101

Table 19  Psychological Contract Breach to Feelings of Violation: Expected Sign and Standardized Regression Weight ........................................................................................................................................101

Table 20  Feelings of Violation to Employee Performance: Expected Sign and Standardized Regression Weight ........................................................................................................................................102

Table 21  Feelings of Violation to Organizational Citizenship Behaviors: Expected Sign and Standardized Regression Weight ........................................................................................................................................103

Table 22  Feelings of Violation to Job Satisfaction: Expected Sign and Standardized Regression Weight ........................................................................................................................................104

Table 23  Feelings of Violation to Organizational Deviance: Expected Sign and Standardized Regression Weight ........................................................................................................................................105

Table 24  Mediation Results for Feelings of Violation on Psychological Contract Breach & Employee Performance Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship ........................................................................................................................................106

Table 25  Mediation Results for Feelings of Violation on Psychological Contract Breach & Organizational Citizenship Behavior Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship ....106

Table 26  Mediation Results for Feelings of Violation on Psychological Contract Breach & Job Satisfaction Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship ........................................................................................................................................107

Table 27  Mediation Results for Feelings of Violation on Psychological Contract Breach & Organizational Deviance Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship ........................................................................................................................................108
Table 28  
Moderation Results: Difference in Unstandardized Regression Weights of Psychological Contract Breach to Feelings of Violation by Low & High Justice.................................................................110

Table 29  
ANOVA Results: Means by Employment Group.........................................................112

Table 30  
Mean Scores on Organizational Citizenship Behavior and Job Satisfaction Scales by Employment Group Status .................................................................114

Table 31  
Hypothesis Results Summary .................................................................................117

Table 33  
Summary of Standardized Regression Weights by Psychological Contract Breach..................................................................................................120

Table 34  
Size Effects: Differences in Standardized Regression Weights within Each Psychological Contract Breach Model.........................................................122
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure 1</th>
<th><em>Theorized Model</em></th>
<th>79</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2</td>
<td><em>Theorized Model with Control Variables</em></td>
<td>83</td>
</tr>
<tr>
<td>Figure 3</td>
<td><em>SEM Model for a Psychological Contract Breach of Raises</em></td>
<td>121</td>
</tr>
<tr>
<td>Figure 4</td>
<td><em>SEM Model for a Psychological Contract Breach of Job Responsibilities</em></td>
<td>122</td>
</tr>
</tbody>
</table>

xiii
ACKNOWLEDGMENTS

I want to thank Dr. William Stammerjohan and Dr. Rebecca Bennett for being my co-chairs, and would like to thank Dr. Andrea Drake for serving as a member of my dissertation committee. I will always be grateful to them for helping me achieve my goal. I would also like to thank my parents for their endless support throughout this process, my friends for their understanding, and my fellow doctoral students for their encouragement.
CHAPTER 1

INTRODUCTION

Merger and acquisition decisions are made using accounting information, including financial results and projections. Radcliffe, Campbell, and Fogarty state “all acquisitions are based on expectations of future increased earnings per share” (2001, 427). However, 30% to 50% of mergers and acquisitions decrease shareholder value, and 60% to 80% of mergers and acquisitions do not add any shareholder value (Boyle, Carpenter, & Mahoney, 2012). This implies that companies are making merger and acquisition decisions on flawed financial projections.

One way in which these financial projections may be flawed is that unexpected costs are incurred during mergers and acquisitions. Employees are greatly affected by mergers and acquisitions, and unfortunately, employees’ expectations are often unmet throughout the merger and acquisition process. Employees’ reactions to these unmet expectations can create unanticipated costs for companies, which were not included in the initial financial projections. As stated by Mac Rory, a company’s “competitive advantage really is in people” (1999). A company’s employees are an important factor in the ultimate success or failure of a merger or acquisition.
This research seeks to answer: (1) why many companies fail to realize the full extent of anticipated benefits from a merger or acquisition, (2) during mergers and acquisitions, do employees perceive the organization has failed to deliver promised obligations, and (3) in the process of a merger or acquisition, are employees’ feelings and behaviors affected in a way that may ultimately reduce the expected benefits?

The literature stream on incomplete contracting demonstrates the prevalence of incomplete contracts; virtually every contract is incomplete in some way. This includes contracts between employers and employees (Christ, Emett, Summers, & Wood, 2012; Falk, Gächter, & Kovács, 1999). When an employment contract in incomplete, it leaves room for psychological contracts to be formed by employees.

A psychological contract is a belief in a promise by an employee, an anticipatory contribution made by the employee, and a perceived future obligation on the part of the organization to provide benefits to the employee (Rousseau, 1989). Smith (1993), Martin (1995), Schofield (1996), Mac Rory (1999), Bruce (2001), and Classe (2004) all urge practitioners to pay attention to employees’ psychological contracts. Bruce (2001) and Classe (2004) specifically remark on the importance of psychological contracts during mergers and acquisitions because psychological contracts are frequently breached during the merger and acquisition process. This dissertation studies the following psychological contract breaches in a merger and acquisition setting: pay raises, bonuses, promotions, job responsibilities, job security, and career development.

In response to breaches in psychological contracts, employees may experience feelings of violation, which are “affective and emotional experience[s] of disappointment, frustration, anger, and resentment that may emanate from an employee’s interpretation of
a contract breach and its accompanying circumstances” (Morrison and Robinson 1997). It is hypothesized that the psychological contract breaches of pay raises, bonuses, promotions, job responsibilities, job security, and career development lead to higher feelings of violation. Organizational justice affects the way employees feel during mergers and acquisitions, and it is posited that organizational justice mitigates the relationship between psychological contracts and feelings of violation.

This study examines the effects of mergers and acquisitions on employee performance, organizational citizenship behavior (OCB), job satisfaction, and organizational deviance. Prior literature has shown that negative outcomes are associated with changes in the psychological contracts from major organizational changes, such as mergers and acquisitions (Bligh & Carsten, 2005; Cortvriend, 2004; Freese, Schalk, & Croon, 2011; Hubbard & Purcell, 2001; Searle & Ball, 2004; Shield, Thorpe, & Nelson, 2002; Turnley & Feldman, 1998). It is hypothesized that feelings of violation decrease employee performance, OCB, and job satisfaction and increase organizational deviance. It is also hypothesized that feelings of violation mediate the relationship between psychological contract breaches and employee performance, OCB, job satisfaction, and organizational deviance.

In this dissertation, an online crowd-sourcing tool, Amazon’s Mechanical Turk, was used to survey people who experienced a merger or acquisition in the United States. Previous studies used samples from one company or a select few companies that experienced a major organizational change. An online survey allows for the current study to be based on a wide range of companies and to also include employees who have left the organization in the sample.
Established scales were used to measure the following constructs: psychological contracts and feelings of violation (Robinson & Morrison, 2000), employee performance (Williams and Anderson 1991), organizational citizenship behavior (Lee & Allen, 2002), job satisfaction (Russell et al., 2004), organizational deviance (Bennett & Robinson, 2000), and organizational justice (Ambrose & Schminke, 2009). Three attention check questions were also included in the survey. These questions requested the respondents to select a particular answer in order to test how closely they are reading and answering the survey. Mechanical Turk “Workers” who correctly answered the attention check questions and completed the survey were paid $2.00 each. Five hundred observations were collected, and 493 were usable in the final sample.

Structural equation modeling (SEM) was used to test the hypotheses. This method was selected since the constructs used in this study are all latent constructs. Model fit and validity were assessed, further supporting the use of SEM. Multiple group analysis was used to test the moderator organizational justice. The sample was split into thirds based on the average score on the organizational justice scale. The top third was used as the ‘high justice’ group, while the lowest third was used as the ‘low justice’ group.

The results from structural equation modeling reveals that all six of the psychological contract breaches (raises, bonuses, promotions, job responsibilities, job security, and career development) did in fact lead to higher feelings of violation. The results from the multiple group analysis show that higher organizational justice significantly reduces this relationship between psychological contract breaches of raises, promotions, job security, and career development and feelings of violation. However,
justice did not significantly mitigate the relationship between the breaches of bonuses and job responsibilities and feelings of violation.

The results also show the feelings of violation associated with bonuses, job responsibilities, job security, and career development lead to significantly decreased employee performance. Similarly, feelings of violation associated with all psychological contract breaches, with the exception of bonuses, significantly lowers organizational citizenship behavior among employees. Furthermore, employees' job satisfaction is significantly reduced by feelings of violation from all types of psychological contract breaches. Feelings of violation also lead to a significant increase in organizational deviance. These outcomes (decreased performance, OCB, satisfaction and increased deviance) are undesirable for companies, but especially those going through a merger or acquisition.

In addition to testing the direct relationship between psychological contract breaches and feelings of violation and between feelings of violation and performance, OCB, job satisfaction, and organizational deviance, feelings of violation were tested as a mediator. It was hypothesized that feelings of violation has a mediating role in the direct relationship between the psychological contract breaches and the outcomes of performance, OCB, job satisfaction, and organizational deviance. The results suggest that feelings of violation have more of a mediating role with the psychological contracts that are relational in nature, which "entails broad, open-ended, and long-term obligations" (Morrison and Robinson 1997, 229).

This dissertation contributes to several streams of literature. First, this study extends the literature on incomplete employment contracts by investigating their effect on
employee misconduct, performance, turnover, organizational citizenship behaviors, and job satisfaction during the merger and acquisition process. This study also contributes to the psychological contract literature. A variety of psychological contracts have been studied in the accounting literature, including auditors' job expectations (Herrbach, 2001), commitment to a rate of return (Cheng, Schulz, Luckett, & Booth, 2003), bonuses (Hayes & Schaefer, 2005), newly hired faculty's job expectations (Duff & Monk, 2006), promotions (Parker, Nouri, & Hayes, 2011), and job responsibilities and job security (Williams and Adams 2013). This study furthers the work of Hayes and Schaefer (2005) on bonuses, Parker, Nouri, and Hayes (2011) on promotions, and Williams and Adams (2013) on job security, by studying these psychological contracts in a merger and acquisition setting. This study also empirically tests the conjectures made by Bruce (2001) and Classe (2004) that psychological contracts are important during mergers and acquisitions. By including justice as a moderator, this study continues the research stream on justice during mergers and acquisitions (Hubbard & Purcell, 2001; Searle & Ball, 2004; Turnley & Feldman, 1998). Additionally, employee performance, organizational deviance, and organizational citizenship behaviors are examined, which are psychological contract breach outcomes that had yet to be studied with respect to mergers and acquisitions.
CHAPTER 2

LITERATURE REVIEW

Incomplete Contracts

"The concept of the contract is one of the most powerful and pervasive ideas through which economic and political theorists have tried to understand our society" (Mackintosh 1993, 135). According to Coase (1937), a contract should only contain the limits of one party, but forecasting a party’s responsibilities over a longer contract period is difficult. A contract is incomplete if “it contains gaps or missing provisions; ...the contract will specify some actions the party must take but not others; it will mention what should happen in some states of the world but not in others” (Hart 1988, 123). Contracts are incomplete when the parties are unsure of what will happen in the future or if it is too costly to identify future events (Hart and Moore, 1999).

Coase (1937) gives two fundamentals of the relationship between an employer and an employee. The first is that the employee must be rendering services to the employer or to others on behalf of the employer. Another main aspect of the employer-employee relationship is that the employer has the right to control how and when an employee does his or her work. Yet, the majority of employment contracts are ‘at will’ and may be let go at any time (Hart 1988). This shows that parts of the employment contract are frequently ambiguous and incomplete.
Common examples of incomplete contracts are those between employers and employees (Falk, Gächter, and Kovács 1999; Christ, Sedatole, and Towry 2012; Christ Emett, Summers, and Wood 2012), buyers and suppliers (Baiman and Rajan 2002a; Baiman and Rajan 2002b), departments (Baldenius, Reichelstein, and Sahay 1999; Baldenius 2000), firms (Vosselman & Meer-Kooistra, 2006), and contracts for make or buy decisions (Gietzmann 1996; Fallan 2000).

\textit{Gietzmann (1996)}

Gietzmann (1996) discusses the traditional make or buy decision faced by motor vehicle assemblers. However, the decision is not always a dichotomous choice. As the importance of flexibility increases, so does non-contracted behavior (Macaulay, 1963). Gietzmann (1996) examines the role of accounting governance systems based on trust and commitment in these non-contracted interactions, such as relationships with subcontractors.

The incomplete contracting theory assumes that (1) not all future possibilities can be (affordably) foreseen and contracted upon and (2) that both parties may behave opportunistically. If a subcontractor has invested in any assets that would not be valuable outside of the current relationship, the assembler has an opportunity to renegotiate previously agreed upon exchange terms to be in their favor, knowing that the subcontractor is stuck. This could lead to a hold-up problem because the subcontractor would be wary to invest again in assets that are unique to the current relationship. In order to maintain a good reputation among subcontractors, assemblers should not change subcontractors very often. With this knowledge, the current subcontractor has the chance to be opportunistic and the assembler faces an inverted hold-up problem. Social norms,
customs, and reputations become vital to making these non-contracted relationships successful (Gietzmann, 1996).

Gietzmann's (1996) main argument is that the traditional make or buy decision suffers from unnecessary restrictions. In general, the price of a standard, 'off the shelf' unit is used in the decision-making process. This provides little incentive for subcontractors to work closely with assemblers to develop customized units. As an example of a different approach, Gietzmann (1996) takes a closer look at Japanese assemblers, who do form close relationships with their subcontractors. Asanuma (1985, 1989) theorizes that Japanese assemblers are encouraged to have close relationships with subcontractors, whereas the incomplete contracting theory assumes subcontractors' investments in relationship-specific assets is the basis of the relationship. Asanuma (1989) also discusses a tournament procedure, where subcontractors are ranked on their involvement in the design of the subcomponents (off the shelf, design approved, or design supplied).

The sample consists of a Japanese assembler's first tier subcontractors at a European site. The subcontractors were given a survey to complete to see how the Europeans react to the Japanese practices. The sample size was small. 27 subcontractors received the survey and the response rate was 67%, resulting in a final sample of 18 participants. The sample size was small because the assembler recently moved the site to Europe and was still increasing in size and also because having a small number of first tier subcontractors is a feature unique to Japanese supply management.

It was hypothesized and found that relationships are long-term, at least two years. The subjects indicated that the tournament procedures can be used as a motivational
technique, and that the subcontractors desire a promotion. The contracts are in an
obligational form, with a high level of information sharing. The subcontractors trusted
the assembler to issue further orders, and the subcontractors made relational specific
investments.

_Falk, Gächter, & Kovács (1999)_

Falk, Gächter, and Kovács (1999) note that most employment contracts are
incomplete, leaving many duties unspecified for the employer and the employee. In
general, employment contracts have a fixed salary, but performance incentives and work
effort are ambiguous. Falk, Gächter, and Kovács (1999) discuss three features of
employment contracts. The first feature is reciprocity, defined as “the non-strategic
conditional willingness to reward kind acts (positive reciprocity) and to punish unkind
ones (negative reciprocity) even if this is costly for the reciprocating subject” (Falk,
Gächter, and Kovács 1999, 254). Reciprocity is an intrinsic motivation for people who
display this willingness without extrinsic incentives. Intrinsic motivations are “followed
for their own sake” and extrinsic incentives are “provided only by the environment and
the nature of interaction” (Falk, Gächter, and Kovács 1999, 256). Another feature of
employment contracts is that they are long-term, involving repeated interactions.
Reciprocity is generally valued by employers and may be rewarded with a higher salary.
A higher salary serves as an extrinsic incentive for people to behave reciprocally in
repeated interactions, even if they are not intrinsically motivated by reciprocity. Social
interactions are the last feature of employment relations. These social interactions may
result in social approval or disapproval, which is another extrinsic incentive.
A laboratory experiment was chosen in order to manipulate intrinsic motivations and extrinsic incentives. The sample consists of 126 students from a university in Hungary, who were from different fields, and did not know each other. This resulted in 63 randomly matched pairs of “workers” and “firms”. The game used was the gift-exchange game. The firm offers the worker a wage and the worker accepts or rejects it. A rejection results in zero profit for the firm and an unemployment benefit of 20 for the worker. If the worker accepts the offered wage, then the worker picks an effort level. A higher effort level results in a higher cost. This experiment represents an incomplete contract setting since the level of effort is chosen by the worker, not specified by the firm.

Four treatments are utilized in this experiment. The “Stranger” treatment is the control treatment, where the effects of reciprocity are isolated. Participants play a series of ten anonymous, one-shot games. The subjects in the other three treatments played repeated games (ten rounds) and kept the same opponent for the duration of the experiment. The “Partner” treatment was used to control for the effects of repeated interactions. In the “Approval: Face-to-Face” treatment, participants were introduced to their opponent before the game, but they did not communicate verbally or with written comments. The “Approval: Social Pressure” group were allowed only nonverbal communication during the game. This group was instructed that there would be a discussion about the experiment after the session. Both the “Approval: Face-to-Face” and “Approval: Social Pressure” groups were used to determine the effects of social exchange.

The Repeated Interaction Hypothesis, which involves a comparison of the “Stranger” and “Partner” treatment groups, predicts that (i) “for a given wage, the
average effort level is at least as high as in the Stranger-treatment” and (ii) “average wage
and effort levels approach the levels of the Stranger-treatment by the last period” (Falk,
Gächter, and Kovács 1999, 265). The Approval Hypothesis requires a comparison
between the Partner-treatment and the Approval-treatments. It posits that (i) “for a given
wage, effort levels are at least as high as the Partner-treatment” and (ii) “in the Social
Pressure treatment, for a given wage, effort levels are at least as high as in the Face-to-
Face treatment” (Falk, Gächter, and Kovács 1999, 266). The findings reveal that
reciprocal behavior was similar across treatments, and that repeated interactions did
increase effort levels, while social approval did not. The results demonstrate the
importance of the intrinsic motivation of reciprocity, and that the extrinsic incentives of
repeated interactions and social approval were of lesser importance in this experiment.

Fallan (2000)

Fallan (2000) studies the make-or-buy decision of accounting services, whether to
use an external accounting firm or have an internal accounting department. The costs of
each option, production costs for the make decision and governance costs for the buy
decision, are compared. To save on contracting expenses, only the general guidelines of
relationships between the buyer and the seller are established, resulting in an incomplete
contract.

A transaction cost economics approach can be used to study production and
governance costs. There are three dimensions of transaction cost economics (TCE):
uncertainty, frequency, and asset specificity (Williamson 1981). Uncertainty is defined
as “the inability of decision makers to specify a complete decision tree” (Fallan 2000,
57). Fallan's (2000) main argument is that trust between the buyer and supplier is a way
to mitigate any fears of uncertainty that may form in an incomplete contracting setting. Fallan (2000) replaces the dimension of uncertainty with trust. Frequency refers to how often the transaction occurs, and asset specificity is “the degree to which transaction-specific investments in physical and/or in human assets are involved” (Fallan 2000, 60).

When trust is low, it is hypothesized that the make decision will be a better choice. As trust increases, so will the likelihood of a buy decision. It is also hypothesized that the less (more) frequent the transactions, the less (more) likely a buy (make) decision will be made. The physical assets necessary for accounting services, such as computers and software, are not as specific of investments as the human investment. If a firm’s accounting system is complex, the human investment of specialized knowledge is more specific to the current relationship. Therefore, it is predicted that higher asset specificity increases the chance of a make decision.

The unit of analysis used to examine the make-or-buy decision is the transaction itself (Williamson 1985). This study also includes the relation as a unit of analysis. The transaction is the keeping of a firm’s accounts and the relation is the relationship between the buyer and the seller. Norwegian firms were used for the sample, and data was collected from tax forms. Surveys were mailed to the owner or the treasurer of the firm. The response rate was 46%, and the final sample size was 137 responses.

If the firm kept their accounts, the response was coded as 0, and if an external accounting firm was used, the response was coded as 1. To measure perceived trust, respondents were asked “To what extent does the firm trust the quality of accounting services which the firm is buying or may buy from an external accountancy firm”. Frequency was measured by the sales of the firm. Norwegian law offers seven complex
tax planning instruments, which are not used by many firms. The use of these instruments was used to measure asset specificity. Individual instruments were coded as zero if they were not used and one if they were. Logistic regression was utilized in this study. The classification accuracy rate was 78.6%, with most of the classification power coming from trust and frequency. The predicted positive relationships between trust and a buy decision was supported, as was the positive relationship between frequency and a make decision. No significance was found for the relationship between asset specificity and the make-or-buy decision.

*Christ, Sedatole, & Towry (2012)*

A complete contract “fully specifies the obligations of the principal to provide monetary rewards to the agent for each potential performance outcome” (Christ, Sedatole, and Towry 2012, 1914). Since all obligations are identified, trust does not have a role between the principal and agent (Al-Najjar & Casadesus-Masanell, 2001). In actuality, most principal-agent contracts are incomplete (Luft, 1994). Trust has a more significant role when a contract is incomplete and there is discretion over monetary rewards.

The main research question asked by Christ, Sedatole, and Towry (2012) is whether the framing of the contract affects the level of trust the agent has in the principal. A negatively framed penalty contract may send the message that the principal questions the agent’s integrity and competence, which leads the agent to trust the principal less (Das & Teng, 2001), while a positively framed bonus contract does not signal doubt in the agent’s honesty and abilities. Prior research has found that trust has a reciprocity effect. When one party perceives mistrust from another party, they are more likely to feel
mistrust in response (Bradach & Eccles, 1989). If an agent mistrusts the principal, then he or she may question whether effort will be appropriately rewarded by the principal. The main hypothesis states that “in an incomplete contract setting, agent effort on tasks not governed by the incentive contract will be greater under a bonus contract as compared to a penalty contract” (Christ, Sedatole, and Towry 2012, 1919).

A computer-based experiment was conducted to test the hypothesis. Christ, Sedatole, and Towry (2012) use an incomplete contracting setting, where the payment for one task was performance-based and the payment for the second task was left up to the principal. The sample was 220 graduate and undergraduate students in accounting classes, and the subjects were randomly assigned the role of principal or agent. A 2x2x1 set up was used. The first variable, contract frame, was either a bonus or a penalty. The second variable, contract implementation, was the principal’s decision to use the incentive contract or not. This variable was measured, not manipulated, and only the conditions with use of the incentive contract were analyzed. The plus one was a control group with a fixed wage.

The agent was asked to choose a portfolio of investments for the principal. The agent’s effort is operationalized as the cost of investment, as in prior literature (Fehr, Kirchsteiger, & Riedl, 1993). The agent chose from two investments, shares in Whistle or Bell. Whistle shares were more expensive, but had a higher average expected return. The principal wants the higher return from the Whistle shares, while the agent prefers the Bell shares since they are paying for the investment. In the bonus contract condition, agents received a bonus if the total returns met or exceeded a return minimum. Participants in the penalty contract condition were penalized if the returns did not meet
the minimum. No bonuses or penalties were given in the fixed wage condition. The subjects were not informed of their returns until the end of the experiment. The agents selected an investment portfolio for the principal twice, once with a formal contract and once with a contract that with incomplete with regards to the payoff. In the second task, the agent made another investment. Only Horn shares were available for this additional investment. The return on the shares was known, and the agent chose to purchase zero to fifty shares. The number of shares chosen was the measure of costly agent effort. The principal was then made aware of the number of Horn shares the agent purchased and chose how much of the return to pay the agent.

The findings revealed that the main hypothesis was supported; agent effort was higher under a bonus contract than a penalty contract. It was also found that subjects felt more intrusion and less autonomy with a penalty contract, and perceived trust in the principal decreased when the agent’s integrity was questioned. Finally, it was found that trust was reciprocal, as expected.

*Christ, Emett, Summers, & Wood (2012)*

The main objective of this study is to examine the effects of two types of formal controls on employee performance and motivation. Christ, Emett, Summer, and Wood (2012) use an incomplete contract setting, because that is similar to the real world (Williamson 1985; Ittner, Larcker, and Rajan 1997). The two types of formal controls are preventive and detective. According to Romney and Steinbart (2009), preventive controls “deter problems before they arise, while detective controls “discover problems after they occur” (Christ et al. 2012, 432). Preventive controls constrain employees’ autonomy, since they restrict their actions, and give immediate feedback. Detective
controls do not restrict the employees' actions, and give immediate or delayed feedback (Christ, Sedatole, Towry, and Thomas 2008). The formal controls are expected to bring attention to the controlled task, and result in better employee performance. Research in motivation has found that employees have difficulty focusing on more than one goal at the same time (Lindenberg, 2001). With the use of formal controls that bring the employees' attention to a certain task, it is expected that performance on other tasks tends to suffer.

It is hypothesized that employees will perform the best (worst) on the controlled (compensated) dimension of a task when a preventative control is in place, followed by a detective control with immediate feedback, then a detective control with delayed feedback, and finally when no controls are imposed. Christ et al. (2012) also hypothesize that preventative controls have a negative impact on intrinsic motivation more so than detective controls with immediate feedback, detective controls with delayed feedback, and when no controls are used.

The participants of the experiment consisted of 131 graduate and undergraduate business students. The justification for using students as the sample in this experiment is that students do perform this kind of task in the "real world" and age and experience are not expected to matter for this task. The participants were asked to complete a data entry task as quickly and as accurately as they could for the pretest. They were informed that their compensation was based on their data entry speed. The payoffs ranged from $5 to $15, and the average expected payoff was $10. All subjects completed the same pretest and no controls were used. Afterwards, they were given directions for the second task.
A 1x4 experimental design was employed for this study. The four treatment groups were (1) a condition with no controls, (2) the preventative control condition, (3) the detective control with immediate feedback condition, and (4) the detective control with delayed feedback condition. The second task was the same as the pretest in the condition with no controls. In the preventative control condition, controls were placed on some characters so that if participants incorrectly entered a character, the incorrect character would turn red, and they were unable to move on until they typed in the correct character. In the detective control with immediate feedback condition, incorrectly entered characters would turn red, and subjects were unable to go back and correctly enter the character. For the detective control with delayed feedback condition, incorrectly entered characters would turn red after all of the characters on that page were entered, and the participants were not able to make any corrections. Subjects were measured on data entry speed to proxy for performance on the compensated dimension of the task, and data entry accuracy was measured to proxy for performance on the controlled dimension. The controlled dimension simulates an incomplete contract condition, while the compensated dimension represents a complete contract setting.

Although descriptive statistics show the predicted order of performance on the controlled dimension, the only significant difference is between the detective control conditions. Performance is significantly higher with detective controls and immediate feedback than detective controls with delayed feedback, suggesting that the timing of feedback has the most influence on performance. Descriptive statistics did not show the predicted order of performance on the compensated dimension, and none of the differences were significant. The subjects in the preventative control condition had less
intrinsic motivation than in the other conditions, as hypothesized. The preventative control condition differs from the others in that it constrains employees' autonomy, indicating that restricting autonomy negatively affects intrinsic motivation.

Summary

Most contracts are incomplete to some degree. This is because it can be very costly to contract for all future events or it may even be impossible (Hart and Moore 1999). Common examples of incomplete contracts are between buyers and suppliers for make or buy decisions (Fallan, 2000; Gietzmann, 1996) and those between employers and employees (Christ, Emett, et al., 2012; Christ, Sedatole, et al., 2012; Falk et al., 1999).

Factors that affect incomplete make-or-buy contracts are the accounting governance system (Gietzmann, 1996) and the costs (Fallan, 2000). It is important to consider the accounting governance system so that it is designed to allow for relationships based on trust and commitment to develop between subcontractors, for example. The costs associated with governance and the product costs should be given due consideration, such as trust, frequency of transactions, and asset specificity.

The employer-employee relationship is affected by performance incentives including reciprocity, repeated interactions, and social interactions (Falk et al., 1999). Also, the framing of the contract influences trust between the principal and agent (Christ, Sedatole, et al., 2012). Finally, formal controls impact motivation and employee performance (Christ, Emett, et al., 2012). Though not all parts of a job are contracted, employees still have expectations of what will happen.
These studies show some of the effects of incomplete contracts. The variety of the studies demonstrates the wide applicability of incomplete contract situations. The current study extends the literature on incomplete employment contracts by examining the effects in a merger or acquisition setting.

**Psychological Contracts**

When an employee's contract is incomplete, psychological contracts often emerge. A psychological contract involves an “individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (Rousseau 1989, 123). The basic concept behind psychological contracts is explained by the Social Exchange Theory. The Social Exchange Theory encompasses a sequence of interactions that creates obligations (Blau, 1964). The general rules for the social exchange are the reciprocity rule, which states that there will be some form of repayment, and the negotiation rule, which allows for negotiation of terms that will benefit both parties (Cropanzano & Mitchell, 2005). A psychological contract is formed when an individual perceives that his or her efforts create an obligation of reciprocity from the other party. Individuals will have a stronger perception of an obligation if the promise is made before they make their contribution. It is this sequence that makes the promise contractual. The other party may or may not be aware that a promise has been perceived to have been made. In short, there must be a belief in a promise by the employee, an anticipatory contribution made by the employee, and a perceived future obligation on the part of the organization to provide benefits to the employee (Rousseau, 1989).
Psychological contracts fall on a continuum. The psychological contracts that are transactional in nature fall at one end of the continuum, and the psychological contracts that are relational in nature fall at the other end. However, transactional and relational psychological contracts are not mutually exclusive. The absence of a transactional contract does not necessarily indicate a relational contract. The contracts may be monetarily based and/or they may be based on socio-emotional elements. Transactional psychological contracts are “specific, short-term, and monetizable obligations entailing limited involvement of the parties” (Morrison and Robinson 1997, 229). In contrast, a psychological contract is considered relational when it “entails broad, open-ended, and long-term obligations” (Morrison and Robinson 1997, 229). The type of psychological contract may affect the likelihood of an employee perceiving a contract exists or that one has been broken.

A perceived breach in psychological contract occurs when there is a perception that a promised obligation is not fulfilled in proportion to one’s contributions. There are two factors that may lead to a perceived breach in contract. The first is reneging, which is when the other party is aware that a psychological contract exists but does not follow through with the obligation. The other party may be unwilling or unable to follow through with the obligation. The second factor is incongruence, which is when the perceptions about a promise are different between the two parties. The second party may not even be aware that a promise was perceived. In fact, a real breach may or may not have actually occurred. As such, a perceived breach in contract is very subjective in nature. The accounting literature is somewhat limited in its applications of psychological contracts, despite their frequency.
Smith (1993)

Management accounting focuses on reducing costs and increasing efficiency and according to Smith "by training, a management accountant is concerned with cost reduction and efficiency" (1993, 48). Many times managers do not consider how their words and actions may be perceived by an individual. This may result in a misconception by the employee, and it is hard for managers to regain the trust that was lost. Managers need an information system and should be approachable and make time for employees so they can communicate individual circumstances. There are times when employees may be dealing with issues outside of the workplace that impact their performance, and allowances may be appropriate and necessary. Although the employer expects effort from the employee, they may not understand the give and take necessary to elicit that effort. Smith's purpose is to bring attention to the existence of a psychological contract between the employer and the employee, where the employee puts forth effort with the expectation that the employer provides support in exchange (1993). He also conjectures that giving attention to the human element is beneficial for the organization in the long-run.

Martin (1995)

The economic environment of increased competition, downsizing, restructuring, and other organizational changes has threatened job security. This increases the importance of the performance appraisal. Employees are concerned about fairness and the effect on their pay and promotion opportunities. Martin (1995) states the psychological contract has become outdated and been lost. The psychological contract he is referring to is the unofficial understanding that if employees work hard, they will
receive pay raises and promotions and generally be taken care of by the firm. Due to the rapidly changing environment, redundancy is more common. Though not tested in this article, Martin (1995) suggests a solution, that the new psychological contract should be an unofficial agreement that effort is put forth in exchange for long-term employability, either within the firm or with a different firm. He also advises that the employer can increase employability by providing training and experience, and that this is an updated way for companies to provide job security in exchange for the employees' hard work.

_Schofield (1996)_

Employees used to give their loyalty and effort in exchange for the employer providing security and career development. This psychological contract has been broken due to all of the changes in the workplace. The Harris Research Centre for the Institute of Personnel and Development and Templeton College in Oxford identified common changes including the introduction of new technology, new working practices, restructuring, redundancies, and takeovers and mergers. Rather than expecting a life-long job, employees today should prepare for lifelong employability. Unfortunately, much of the training provided for employees is focused on the needs of that organization. A report by the Institute of Employment Studies suggested elements of new psychological contracts. Employers should seek strong identification to the business goals, flexibility to switch to new tasks, ability and willingness to retrain, and the ability to find another job should the need arise. Employees should seek career development, a choice in job roles and work/life balance, the ability to plan for financial security, information about job options, and real negotiation processes. This will help both parties meet their needs from the employment relationship.
Morrison and Robinson (1997)

Morrison and Robinson (1997) define feelings of violation as "an affective and emotional experience of disappointment, frustration, anger, and resentment that may emanate from an employee's interpretation of a contract breach and its accompanying circumstances." The severity of the violation depends on the perceived extent of the psychological contract breach. The reason for the breach and the fairness with which an employee is treated also contribute to the development of feelings of violation. The authors use theory to argue that employees are more likely to perceive a transactional psychological contract breach since reciprocity expectations are more direct and immediate than with relational psychological contracts. Additionally, the authors posit that, according to theory, when relational breaches are perceived, the feelings of violation will be stronger. This is because a breach in a relational contract is in such contrast with the social contract (Morrison and Robinson 1997).

Mac Rory (1999)

Mac Rory states "In previous years our [Ireland's] unemployment level was amongst the highest in Europe" (1999, 28). When unemployment was high, companies did not have to focus as much on retention. Now that the unemployment rate is lower, retention is much more important. The old psychological contract was an exchange of loyalty between the employer and employee. Today, the psychological contract is an exchange of employee commitment for a challenging, interesting job and employability. If employees actually want to work, they are not only more committed, but more motivated, productive, and innovative. This benefits the employee and the organization. After all, the competitive advantage of a business is in its people.
Many employees have experienced organizational changes such as reorganizations, mergers, demergers, and rationalizations and their psychological contracts have been broken. Not many organizations pay sufficient attention to psychological contracts, even though they are important. Bruce (2001) refers to transactional contracts as the rules and relational contracts as emotional attachment. The relational contract is considered more important because when it is breached, “then everything starts to unravel” (Bruce 2001, 40). Bruce (2001) explains that employees may react to a breach with absenteeism or acts of sabotage towards the company, and employees will then renegotiate their psychological contract. He also predicts that these problems are worse if the company experiences a difficult merger, though none of these conjectures were tested.

Herrbach (2001) describes auditing as a double agency relationship. The first principal-agent relationship is between financial statement users (principals) and the audit firm (agent), and the second relationship is between the owners of an audit firm (principals) and their auditor employees (agents). Herrbach (2001) examines the second principal-agent relationship by studying the effect of audit seniors’ behavior on audit quality. More specifically, he focuses on senior auditors’ quality reducing behaviors.

An audit quality reduction is defined as “poor execution of an audit procedure that reduces the level of evidence gathered for the audit, so that the collected evidence is unreliable, false or inadequate quantitatively or qualitatively” (Herrbach 2001, 790). Audit quality reduction behaviors used in the study are (1) the reduction of work below
what would normally be considered reasonable, (2) superficial review of client
documents, (3) acceptance of weak client explanations, (4) failure to research an
accounting principle, (5) failure to pursue a questionable item, and (6) false sign-off.
Quality reducing behaviors that are indirectly linked to audit quality are also included.
The following quality reducing behaviors pertain to audit seniors’ role attributes: (1)
supervising a team member inadequately, (2) filling out staff performance appraisals too
rapidly, and (3) putting the audit team under excessive pressure. Non-professional
quality reducing behaviors are (1) Looking for another job in front of the audit team, (2)
gossiping about the firm, (3) casting doubt on the firm’s methods in the presence of the
audit team, and (4) casting doubt on the effectiveness of an audit.

The relationship between an audit firm and an auditor meets the definition of a
psychological contract. The auditors perform their jobs, and the audit firm compensates
them in various ways. Herrbach (2001) studies the effect of psychological contract
breach on quality reducing behaviors. He uses the following elements of the
psychological contract: job security, a high salary, performance-based pay, interesting
work, an international experience, career opportunities within the firm, career
opportunities outside the firm, quality professional training, work autonomy, and an
enjoyable human environment. Affective commitment is included as an independent
variable in addition to the psychological contract. Based on prior literature, perception of
the firm’s quality control and the frequency of underreported time are independent,
contextual variables analyzed in this study. The individual quality reducing behaviors are
combined into three dependent variables by category (audit quality reduction, team
mismanagement, and non-professional behaviors). A questionnaire was mailed to 395
French audit seniors who work in one of the Big Five international audit firms or two large French firms, with a response rate of 43% (170). In order to increase the reliability of self-reported responses, the design of the survey guaranteed anonymity of the respondents. Herrbach (2001) also surveyed former audit seniors and those results are highly similar to those presented in the paper.

Of the ten elements of the psychological contract, work autonomy, professional training, and enjoyable human environment are significantly and negatively related to audit quality reduction behaviors. When the psychological contract elements of work autonomy, professional training, and enjoyable human environment are not fulfilled, the audit quality may suffer through increased audit quality reducing behaviors. The results are similar for non-professional and team mismanagement behaviors, although interesting work is positively related to team mismanagement behaviors. The results show that affective commitment is negatively and significantly related to non-professional behaviors, but not audit quality reducing behaviors. Auditors who are less affectively committed do not exhibit more audit quality reducing behaviors than others, though they do engage in nonprofessional behaviors more so than auditors with higher affective commitment.

*Cheng, Schulz, Luckett, and Booth (2003)*

The escalation of commitment phenomenon describes the situation where decision makers continue uneconomic projects, even if they have information about poor past performance or more profitable opportunities. De-escalation strategies attempt to reduce escalation of commitment, such as project hurdle rates. Project hurdle rates, or minimum rate of return targets, serve as benchmarks that managers can use to determine
if a particular project is economically beneficial to their organization. The hurdle rate can be set by an organization and serve as a standardized assessment for projects. The hurdle rate can also be self-set by the manager making investment decisions. In this situation, the psychological contract is with one's self. Cheng et al. (2003) describe the self-set hurdle as a psychological contract between the self-set hurdle rate and the manager; the manager expects that if the hurdle rate is met, the project will be economically successful.

Cheng et al. (2003) hypothesize that the level of escalation of commitment will be lower for managers with organization-set hurdle rates (and self-set hurdle rates) than those without formal hurdle rates. They posit that the level of escalation of commitment will be lower for managers with self-set hurdle rates than for the managers with organization-set hurdle rates. A 1x3 research design is employed in a laboratory experiment. The three treatments are no hurdle rate, organization-set hurdle rate, and self-set hurdle rate. The dependent variable is the tendency to continue an uneconomic project. For the experiment, the subjects were asked to assume they were a project manager at a firm. The hurdle rates were considered non-binding in both the self-set and organization-set treatment groups. These two treatment groups were given a scenario in which the project's return had fallen below the hurdle rate and a more profitable project was available. All subjects were required to decide whether to continue or terminate the current project.

This decision was used to measure the tendency to continue an uneconomic project on a 10-point scale. The initial commitment level was manipulated by informing the participants of the following information. As a manager, they were responsible for
the performance of the project and their decision was announced in a newsletter. This was a key project for them, plus they showed their commitment to the project by promoting it to colleagues. Managers in the company were considered very talented if they managed their projects successfully, but their reputation would be harmed if they did not act as if they were committed to the project. Of the 205 Australian undergraduate students who participated in the experiment, only 186 of them passed the manipulation check.

ANOVA was used to calculate the overall mean of the level of escalation for each treatment group. The results showed that although the level of escalation of commitment was lower for the organization-set hurdle rate treatment group than the no hurdle rate treatment group, the difference was not statistically significant. However, the escalation commitment level of the self-set hurdle group treatment was significantly lower than the no hurdle group treatment. The psychological contract provided a commitment to the hurdle rate, not the project. As hypothesized, the level of escalation of commitment was lower for the self-set hurdle rate treatment group than the group with the organization-set hurdle rate. These results demonstrate the importance of the psychological contract formed with the self-set hurdle rate.

*Classe (2004)*

During mergers and acquisitions, the human aspect of change is frequently overlooked. According to consultants, not paying attention to the human aspect in the early part of an organizational change is why mergers and acquisitions often do not meet shareholder expectations. The relationship between employer and employee is important as most employees have perceived a psychological contract with their employer. In a
company, psychological contracts are likely to be mostly transactional or mostly relational. Organizational changes may be perceived as a breach of the psychological contract, and employees may feel less committed to the post-change organization. This can be very harmful to a company’s bottom line. “When it comes to mergers and acquisitions, the nature of the psychological contract – and whether it is breached during the change – can make the difference between success and failure” Valerie Garrow told the Chartered Institute of Personnel Development’s...annual ‘Psychology at work’ conference in December 2004” (Classe 2004, 32).

*Hayes and Schaefer (2005)*

Hayes and Schaefer (2005) study a specific type of psychological contract, the relational contract, analytically. To evaluate a manager’s performance, all available information should be used. Therefore, a manager’s bonus may be based on information that is not available to all market participants. Hayes and Schaefer (2005) use the term market participants to refer to non-insider shareholders and non-shareholder insiders. One issue is that market participants might infer non-public information based on the size of a bonus. Another issue is that non-public information is non-verifiable. In this case, firms depend on relational contracts to enforce bonus payments based on non-public information. Relational contracts are governed by the company’s reputation, so it is not necessary for the information to be verifiable or public.

The first scenario considered is where the payments to the manager might provide information to the public. The manager’s bonus is dependent on the success or failure of the firm’s project. Under the first-best contract, managers receive their salary after the contract is agreed upon and the bonus is received when the project is successful. Another
scenario that is described is the second-best incentive contract when the project’s outcome is publicly observable. This contract maximizes the firm’s profits, while satisfying the manager’s individual rationality constraint. The manager exhibits more effort and takes on more risk as the amount of the bonus increases, so the salary must also be increased to compensate.

Incentive contracts are analyzed in the case when the board and the manager are able to observe the project’s outcome before market participants. The timeline begins with the board offering a contract to the manager. When the contract is accepted by the manager, the manager receives a salary and chooses his level of effort. Later the outcome of the project is observed by the insiders and if the project was successful, the manager receives a bonus. After market participants observe the bonus payment, there is a round of trading. Then the returns from the project are made public, the firm is liquidated, and the ‘terminal’ value is realized. The terminal value is not a reflection of the actual returns from the project. Three types of equilibrium contracts are described. Efficient separating contracts have a “one-to-one mapping from project outcomes to bonus payments and second-best effort and risk sharing”, inefficient separating contracts have a “one-to-one mapping from outcomes to bonuses, but induce higher effort and place more risk on the manager, compared to the second-best contract”, and pooling contracts “do not depend on the project outcome...no output-contingent bonuses are paid” (Hayes and Schaefer 2005, 438).

It is assumed that the board selects contract and bonus amounts to maximize the weighted average of the firms’ short-term market value (weight=$k$) and its terminal value (weight=$k-1$). The variable $k$ represents a firm’s myopia. A myopic firm values high
short-run share prices. A firm that values high short-term share prices may wish to pay a bonus to give the appearance of a successful project. Equilibrium contracts have a no-mimic constraint, meaning that the firms with unsuccessful projects will not give a bonus. In this case, the short-term and terminal values are equal. The equilibrium contract for firms that place a low weight on $k$ is an efficient separating contract. When the value of $k$ is higher, the equilibrium contract will be the high-profit contract that satisfies no-mimic and individual rationality constraints or the pooling contract. If the value of $k$ is even higher, the equilibrium contract is a pooling contract because a separating contract is too costly. The more myopic a firm is, the more the manager must be compensated for the additional risk and cost assumed, thereby lowering a firm's profits.

The next model considered is one in which the firm does not have an incentive to increase short-term share prices, and relies solely on their reputation to enforce the contract. These relational incentive contracts are analyzed in a repeated-game setting. An impatient firm is a firm that seeks to shift the cash flows from the future (project returns) to the present (not giving a bonus). If the firm breaches the relational psychological contract by not paying a bonus, the manager will no longer trust the firm's contract offers. Since the firm can no longer depend on their reputation as an enforcement mechanism, the firm can either offer a pooling contract or shut down. This is referred to as the reputational governance constraint.

In the first model, myopia leads to higher bonus offers and lower profits, while impatience leads to smaller bonus offers and higher profits in the second model. The third model examines the interaction of these two effects: signaling and relational incentive contracts. This model is the same as the previous one except for the added
assumption that the board maximizes a weighted average of short-term and end-of-period share prices. A firm can deviate from the relational contract in two ways. The first is that the firm does not pay a bonus when the project was successful, and the second is that the firm pays a bonus when the project was unsuccessful. A different governance mechanism is when the firm has an incentive to pay a big enough bonus to separate itself from a firm with an unsuccessful project. If the firm pays a bonus when the project was unsuccessful, the manager assumes that there is no longer a relationship between the project's success and the bonus and does not exhibit effort in later periods. In equilibrium, attempts to mislead the market are unprofitable. When $k$ is small, the largest credible bonus may be too small to yield positive profits for the firm because the best option for the firm is to shut down if the relational contract was breached. On the other hand, when $k$ is very large, the credible bonus might be too big to yield positive profits for the firm since the firm would rather offer a pooling contract or shut down. For intermediate values of $k$, the credible bonus results in non-negative firm profits because a reputational bonus is feasible. The main finding is that the relationship between equilibrium bonus amounts (and therefore profits) and the level of the firm's myopia, $k$, is non-monotonic.

\textit{Duff and Monk (2006)}

Duff and Monk (2006) consider the psychological contract held by newly hired faculty members of accounting and finance departments in higher education in the UK and Ireland. The motivations for becoming a lecturer and the sources of occupational discontent are examined in this study. Occupational discontent, dissatisfaction with one's job, represents a breach in the psychological contract.
The sample consists of three cohorts. The three cohorts included appointments made January 1998 to December 1999, January 2000 to December 2001, and January 2002 to December 2003. The response rate of a questionnaire sent to the individuals identified in the cohorts was 37.4% for cohort 1, 43% for cohort 2, and 51.4% for cohort 3. Exploratory factor analysis was used to analyze the questionnaire items relating to the motivations for becoming a lecturer, sources of occupational discontent, and ways the career could be improved. Cluster analysis was utilized to examine variations in the sample.

The EFA identified four factors that motivate people to become accounting academics. In order of highest to lowest level of importance, they are flexible hours, work activities (research and scholarly), idealism (developing the profession while being removed from practice), and material rewards. In descending order of importance, the factors identified concerning occupational discontent are job demands (undervalued effort), rewards and working conditions (salary, promotions, flexibility in work hours), sense of detachment (separation from the profession), and poor facilities. The sources of occupational discontent are not in line with the motivations for becoming a lecturer. This indicates that the psychological contract changed over the two years since the lecturers were hired. The respondents indicated that the following factors would make the career more attractive: internal recognition, increased time resource, acknowledgement and working conditions, improved material rewards, and external opportunities. In the open-ended section of the questionnaire, the subjects indicated that an induction process, a discussion about teaching, administration, and processes unique to the institution, could improve the career.
The cluster analyses revealed four clusters. The first has the fewest sources of occupational discontent and the highest proportion of professional qualified accountants. The second cluster is the youngest, has the highest proportion of non-degree holders, and the highest score on the factors of occupational discontent. The third cluster scored the lowest on the factors of occupational discontent and is the only one to have a majority of males. Rewards and working conditions is rated as a source of occupational discontent in the fourth cluster, which has the lowest proportion of professional accounting qualifications. While variability within the sample exists, demographic information does not explain the difference in opinions held by the new academics.

Parker, Nouri, and Hayes (2011)

Large accounting firms may have a ‘move up or move out’ philosophy, where an employee’s future with the firm depends on promotions. The firm’s employees are aware of this mentality. Employees observe the distributive justice, or the perceived fairness of promotion decisions, within their firm. Promotion instrumentality is the belief that if employees work hard, they will earn a promotion. This can be considered a psychological contract because employees perceive the company will reciprocate their effort with a promotion.

It is hypothesized that there is a positive relationship between distributive justice and promotion instrumentality. A psychological contract breach is when employees perceive that promotion decisions were not based on performance. As a result, employees may choose to leave the organization. Promotion instrumentality and turnover are predicted to have an inverse relationship. It is also posited that promotion instrumentality mediates the relationship between distributive justice and turnover.
Turnover may be affected by the level of performance. Employees who are high performers and are not promoted may choose to leave the company. Parker, Nouri, and Hayes (2011) predict that the inverse relationship between promotion instrumentality and turnover is stronger for high performing employees. A moderating role of job performance on the relationship between distributive justice and turnover is hypothesized.

The sample is employees of large public accounting firms. A survey was sent out through the firms’ internal mailing. Respondents were given return envelopes to mail their completed survey to the researchers. Of the 243 surveys distributed, 116 respondents returned the survey, though six were unusable. This results in a final sample size of 110 and an effective response rate of 45%. Turnover intentions, distributive justice, promotion instrumentality, and job performance were all measured with previously established scales, though the scale for promotion instrumentality was modified.

The first two hypotheses were measured using OLS regression. OLS regression was used to test the mediation model of hypothesis three, and it was also used to test the moderated model in hypothesis four. The last hypothesis was tested by estimating the mediation model from hypothesis three and conditioning it on the moderator using OLS regression. All hypotheses were supported. The moderating role of job performance on the relationship between promotion instrumentality and turnover intentions is of particular interest because firms want to retain their best employees.
Williams and Adams (2013)

A longitudinal approach was used to qualitatively study corporate annual report disclosures of NatWest Bank in the UK from 1980 to 1995. Williams and Adams (2013) assess whether the disclosures promote transparency and accountability for employees, who are significant stakeholders in the bank. Social responsibility is portrayed as deregulation. Deregulation led to mergers and acquisitions, causing branches to close and employees to lose jobs. Several key issues were identified including: technology and branch rationalization, redundancies, staff training/career prospects, mode of employment, and staff participation/rewards. Some of these issues affect psychological contracts held by the employees.

NatWest increasingly used automated payment facilities and new techniques for cash handling to lower the staff costs of these tasks (NatWest, 1980). The time that was previously spent on these activities was now used in sales roles. Sparrow (1996) suggested the new, outward facing relationship with the customers was a violation of the psychological contract and would cause problems for banks. The annual report disclosures failed to include if or how employees’ needs were considered during decision-making, despite the fact that the decisions would impact the employees. In order to reduce costs, there were staff cuts. The annual report disclosures referred to a fall in staff numbers, rather than staff cuts. (Kets de Vries & Balazs, 1997) suggested that this was a breach of the psychological contract where employee effort and loyalty was exchanged for lifetime employment. The other employee issues were not addressed thoroughly in the annual report disclosures, either. Overall, it appears as though the
disclosures were not influenced by transparency and accountability and the company does not genuinely care about its employees.

Summary

In summary, the accounting literature has examined various psychological contracts. Employee effort is exchanged for employer support (Smith, 1993), pay raises (Martin 1995), promotions (Martin 1995; Parker, Nouri, and Hayes 2011), job security (Martin 1995; Herrbach 2001; Williams and Adams 2013), and bonuses (Hayes & Schaefer, 2005). Employee effort is also exchanged for a high salary, performance-based pay, interesting work, an international experience, career opportunities within the firm, career opportunities outside the firm, quality professional training, work autonomy, and an enjoyable human environment (Herrbach, 2001). Similarly, employee commitment is exchanged for a challenging job and employability (Mac Rory, 1999). One psychological contract studied is between the employee and a self-set hurdle rate, where the employee expects his or her investment project to be successful if it meets the self-set hurdle rate (Cheng et al., 2003). Schofield (1996) provides recommendations for future psychological contracts.

Once a psychological contract has been perceived by an employee, there is a chance that it will be breached. Duff and Monk (2006) identify breaches related to job demands, rewards and working conditions, sense of detachment, and poor facilities for newly hired academics. During an organizational change, such as a merger, psychological contracts are often breached (Classe, 2004). Williams and Adams (2013) reference the changed relationship between the employees and the customers as a perceived breach of psychological contract. When psychological contracts are breached,
it can lead to negative outcomes such as absenteeism and sabotage (Bruce, 2001). This dissertation extends the literature on psychological contracts by further examining the effects of breaches during mergers and acquisitions.

Mergers & Acquisitions

Introduction

Vitale and Laux (2012) note the importance of researching mergers and acquisitions, since companies frequently engage in them despite the high failure rates. Companies merge or acquire in order to achieve growth, improve efficiency, as a defense, or for “empire building” (Vitale and Laux 2012, 1211). However, 30% to 50% of mergers and acquisitions decrease shareholder value, and 60% to 80% of them do not add any shareholder value (Boyle et al., 2012).

Some reasons why mergers and acquisitions fail are “…buying for the wrong reason, selecting the wrong partner, and buying at the wrong time…” (i.e. Armenakis 1999; Haleblian and Finkelstein 1999), (Bellou 2007, 70). Another reason for merger and acquisition failures is that the company is paying too high of a price (Marks and Mirvis 2011). It is not uncommon for an acquiring firm to pay more than the identifiable value of the target company. An example of an unidentifiable value is talented managers (Boyle et al., 2012). “The merger process is not simply about the changes in the balance sheet. It also has a lasting impact on the employees of the organizations concerned” (Lanigan 2007, 54). According to Classe (2004), ignoring the human aspect of mergers and acquisitions is why companies do not experience the expected benefits from the merger and acquisition (M&A).
"...[T]he nature of the psychological contract, and whether it is breached during the change, can make the difference between success and failure, Valerie Garrow told the Chartered Institute of Personnel Development’s... annual ‘Psychology at work’ conference in December 2003" (Classe 2004, 34). Some of the effects of psychological contract breaches during a merger or acquisition are: voluntary turnover (Cortvriend, 2004; Searle & Ball, 2004; Shield et al., 2002; Turnley & Feldman, 1998), turnover intentions (Cortvriend, 2004; Freese et al., 2011), loyalty (Bligh & Carsten, 2005; Turnley & Feldman, 1998), job satisfaction (Bligh & Carsten, 2005), and organizational commitment (Bligh and Carsten 2005; Freese, Schalk, and Croon 2011).

Sparrow (1996a)

During times of change, it is important to consider human resource strategies (Hunter, 1995). One strategy is to move towards empowerment and high performance work systems. The initial costs are recouped through increased productivity, fewer mistakes, and strong relationship banking. Lloyds Bank, which went through a merger in 1995, determined that it is seven times more expensive to gain a new customer than to keep a current one. Another strategy is to sustain costs, quality, and sales by monitoring performance, offering incentives, and improving technology. Employees understand that changes in the human resource strategy may result in changes in their employment relationship, or psychological contract.

Old psychological contracts are those that were formed during times of stable employment, while new psychological contracts are developed during times of continuous change. The old and new psychological contracts differ in many ways. Sparrow (1996a) constructed a table of these differences based on prior literature (Ehrlich
Employed by others, organizational change is a constant backdrop. From 1994; Kissler 1994; Morrison 1994; Rousseau 1989; Rousseau 1995; Rousseau and Greller 1994; Sparrow 1996b). That table is recreated in Table 1.

Table 1

**Comparison of Old and New Psychological Contracts**

<table>
<thead>
<tr>
<th>Change environment</th>
<th>Old contract</th>
<th>New Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Paternalism, time-served, exchange security for commitment</td>
<td>Those who perform get rewarded and have contract developed</td>
</tr>
<tr>
<td>Rewards</td>
<td>Paid on level, position and status</td>
<td>Paid on contribution</td>
</tr>
<tr>
<td>Motivational currency</td>
<td>Promotion</td>
<td>Job enrichment, competency, development</td>
</tr>
<tr>
<td>Promotion bias</td>
<td>Expected, time-served, technical competency</td>
<td>Less opportunity, new criteria, for those who deserve it</td>
</tr>
<tr>
<td>Mobility expectations</td>
<td>Infrequent and on employee's terms</td>
<td>Horizontal, used to rejuvenate organization, managed process</td>
</tr>
<tr>
<td>Redundancy/tenure guarantee</td>
<td>Job for life if perform</td>
<td>Lucky to have a job, no guarantees</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Instrumental employees, exchange promotion for more responsibility</td>
<td>To be encouraged, balanced with more accountability, linked to innovation</td>
</tr>
<tr>
<td>Status</td>
<td>Very important</td>
<td>To be earned by competence and credibility</td>
</tr>
<tr>
<td>Personal development</td>
<td>The organization's responsibility</td>
<td>Individual's responsibility to improve employability</td>
</tr>
<tr>
<td>Trust</td>
<td>High trust possible</td>
<td>Desirable, but expect employees to be more committed to project or profession</td>
</tr>
</tbody>
</table>

Employees who are of a low grade, have a low length of service, are young, and/or are female are expected to have less of an attachment to the old psychological contract. (Sparrow, 1996b) hypothesizes that employees who are steeped in the old psychological contract, who have been employed longer, and who have a higher psychological attachment will demonstrate a more negative response to the new employment relationship. Length of service, older age, and higher grade are used to proxy for employees with a higher psychological attachment to the old contract.
Prior literature provides four types of middle management mindsets (Herriot 1995; Herriot, Pemberton, and Hawtin 1996; Holbeche, James, and Wark 1995; Mirvis and Hall 1994). Flexers “understand the nature of the business changes and are prepared to accept sideways moves or flexible working patterns”, while the Ambitious “understand the implications of the changes but can still see personal progression for themselves” (Sparrow 1996a, 78). Lifers “hanker after a guarantee of security, believe that experience and length of service are a legitimate basis of reward and are unimpressed by performance-related pay”, and then there are those who are Disengaged “either explicitly or implicitly, from the organization and have begun to exhibit withdrawal behavior” (Sparrow 1996a, 78). It is hypothesized that the staff will exhibit differential contracts that cover these four attitudinal positions. It is believed that if employees feel they have the best contract available, then they will lower their expectations. The last hypothesis is that beliefs about the environment placing the cause of contract degradation and locus of control beyond the sole responsibility and actions of the employer will be related to more positive levels of commitment and satisfaction.

A UK retail bank that underwent job cuts, experienced changes in the branch network and HR framework, and was in the process of a major customer service initiative is examined by Sparrow (1996a). During a change program, the bank discussed psychological contracts with its employees. The bank used focus groups and a sample of 200 employees to create booklets that summarized the change process. MBA students then interviewed 45 staff members in order to understand their motivational drivers and outlooks about the future. The information gathered by the MBA students was used to create a survey about attitudinal dimensions of the psychological contract. One hundred
and seven employees completed the survey, which was a 53.5% response rate. Age, rank, tenure, and gender were analyzed using t-tests and ANOVA to assess whether there are four middle management mindsets. To measure the psychological contract, Sparrow (1996a) used The Experienced Managers Questionnaire, developed by Sundridge Park Management Centre. Sparrow (1996a) combined all of the attitudinal statements and used principal components analysis to test if employees exhibit the four mindsets. Locus of control was measured using three items, and was used to analyze the hypothesized positive relationship between an external locus of control and commitment and satisfaction.

Differences in career opportunities, exit requirements, trust, commitment, and satisfaction among age, service, grade, and sex were examined. Dissimilarities in career opportunities and exit requirements were found, although these variables were not related to trust, commitment, or satisfaction. The results suggest that the expected differences in age, service, grade, and sex are stereotypical. As predicted, the subjects exhibit four distinct attitudes. Nineteen percent of the sample was classified as Ambitious, 37% were considered Flexers, 13% were categorized as Lifers, and 31% were Disengaged. Principal components analysis showed that these groups could be broken down further, and that there were actually seven distinct groups: frustratedly mobile, still ambitious, passive flexibility, guidance seeking, buy me outers, just pay me more, and don’t push me too far. Contrary to expectations, locus of control was not significantly related to commitment or satisfaction. A main finding of this study is that it is unlikely that communication would change employee attitudes.
Turnley and Feldman (1998) seek to answer the following research questions: To what extent do managers in restructuring firms feel their psychological contracts have been violated? What are the specific elements of psychological contracts that managers feel have been most seriously violated? What are the outcomes of psychological contract violations? What are the situational factors that might mitigate severe negative reactions to psychological contract violations during restructuring? In order to test these research questions, Turnley and Feldman (1998) use a sample of 541 managers and executive level employees. The employees are from three different employment sites. Two hundred and twenty-three were from a bank that grew through mergers and acquisitions, 105 worked for a state agency that went through a major restructuring and reorganization, and 213 graduate business school alumni were surveyed. Half of the alumni have been through a downsizing or restructuring in the previous two years.

Psychological contract violation is measured using four items from Robinson and Rousseau (1994) and Guzzo, Noonan, and Elron (1994). Violation was scored on a 5-point Likert-type scale. To measure the psychological contract, respondents were asked to indicate the extent to which sixteen psychological contract elements have been violated. These elements consisted of both monetary and nonmonetary items from prior research (e.g. Rousseau 1990). The degree of the restructuring was also measured using questions about whether there were a large number of layoffs, a major reorganization, or a merger or acquisition in the last two years. Exit was measured as intention to quit and actual job search behaviors. Voice, neglect, and loyalty were also measured using scales. The following five situational variables were examined: procedural justice in the layoff
process as well as in pay raise and promotion decisions; the likelihood of future violations; and the quality of relationships with supervisors and colleagues. Participants were asked to rate these situations as low or high.

Though psychological contract violation was measured as a dichotomous variable, comments from the subjects revealed that there were actually four different outlooks. There were employees who felt pleased with their psychological contract fulfillment, who did not think there was a commitment, who indicated their experiences at work were not as expected, and the largest group indicated their psychological contracts were seriously violated. Employees were more likely to perceive a violation if they felt the organization knowingly failed to follow through on commitments or if the commitments were particularly important. One-way ANOVAS were conducted, and it was found that the managers who worked in organizations that underwent downsizings, reorganizations, and mergers and acquisitions were more likely to perceive violations to their psychological contracts compared to employees who worked for companies that did not undergo any major changes.

To analyze the elements of the psychological contract, MANOVA was used. Results among the employees who had been through different types of organization change were generally consistent, so results for downsizing are the ones presented. Significant violations were found in regards to job security, input into decisions, opportunities for advancement, health care benefits, and responsibility and power. Subjects indicated their psychological contracts were somewhat violated in terms of base salary, feedback, regularity of pay raises, supervisor support for work problems, career development, training, and bonuses for exceptional work. Employees who worked in a
more stable environment also felt these elements of their psychological contract were not being met. Managers felt their employers were fulfilling their commitment to overall benefits, organizational support for personal problems, job challenge and excitement, and retirement benefits. The employees who experienced a merger or acquisition were more likely to perceive a violation in their psychological contract related to job security, input into decision making, organizational support, and bonuses.

Responses to contract violations were examined. Employees who worked for an organization that restructured were significantly more likely to intend to quit their job, engage in actual job search behavior, and have less loyalty. There were no significant differences in regards to neglect and voice. The effects of the situational factors on the dependent variables, overall assessment of the psychological contract violation, intent to quit, active job search, voice, commitment, loyalty, and neglect behaviors, were tested also. For both justice factors and the quality of working relationships with the supervisor, all of the dependent variables had significant differences, except for neglect. Similarly, all of the dependent variables were significant for the likelihood of future psychological contract violations. For the quality of working relationships with co-workers, only intent to search, loyalty, and neglect were significant.

*Hubbard & Purcell (2001)*

Hubbard and Purcell (2001) use the term acquisition, as opposed to merger, since merger implies that two equal companies are joining and that is rarely the case. Four elements of employee expectations are proposed: whether employees have a job/type of job, re-socialization, how to fit into the new organization, and learning the cultural behavior. It is suggested that these expectations will be mediated by the process phase of
the acquisition, the employees' role, and the extent of the organizational integration. The phases of the acquisition process are strategic planning, formal communication, implementation, and stabilization. Three roles of employees are described. 'Negotiators' are more senior managers who are involved with the acquisition from the start. 'Enactors' are also managers, though they are below the 'Negotiators', and they are responsible for implementation and communication about the acquisition. 'Recipients' are employees in non-managerial roles, who do not have input into decisions concerning the acquisition, but they are affected by the consequences of these decisions.

Twenty-two interviews were conducted with executives involved with the acquisition from five companies that experienced an acquisition within the last two years. The focus was on employees from the acquired companies. After the interview, subjects were asked to rate their concerns on a scale of one to five, aiding in the process of aggregating opinions. Since the sample size is so small, this is an exploratory study of employee expectations. Cases from two of the five companies are presented.

The first case study took place six months after the acquisition. The new managing director told employees that "it is business as usual" (Hubbard & Purcell 2001, 23). Employees found this comment insincere as major changes were implemented with little notice. There was no communication about a plan to reduce the number of managerial employees until the date to do so was set. Around 40% of regional directors, 20% of middle operational managers, and the majority of the regional training staff were removed (Hubbard & Purcell, 2001). This day was termed 'Black Monday' by the employees (Hubbard & Purcell, 2001). After the layoffs, lower level Negotiators become
more concerned about the culture, Enactors become more concerned about the procedures, and Recipients experienced a decrease in trust.

The second case study was conducted twenty months after the acquisition. Employees were told that there would not be very many modifications, but major changes in procedures and culture took place. Overall, the redundancies were handled fairly, according to employees. After the initial concern about job security subsided, Negotiators focused on their status and the new differences, and later become concerned about career development. Enactors were worried about the cultural and procedural differences and were less pleased with their career development compared to employees from the acquiring company.

Based on the case studies, seven elements of expectations are presented. They are quality of communication, believability of information, trust in management action, credibility of leadership, fairness of action, consistency of action and communication, and logic of management action or behavior. Trust and management credibility are based somewhat on management actions, but “the way in which actions were conducted and explained to employees appeared to be the most important” (Hubbard & Purcell 2001, 31). “Acquisitions constitute a likely breach in the psychological contract in a particularly complex and multi-faceted way”, which may contribute to acquisition failure (Hubbard and Purcell 2001, 31).

*Shield, Thorpe, and Nelson (2002)*

National Health Service (NHS) hospitals in Britain have undergone major organizational changes. In 1990, the Community Care Act was passed, which established an internal market. The internal market separated those who provide health care from
those who purchase health care. One trust director formed a Strategy Group, consisting of general managers and clinical directors, in 1991. After analyzing the strengths, weaknesses, opportunities, and threats, it was determined that the current hospital trust was too small. This created several incentives for mergers, including market share and medical service pressures, as well efficiency and effectiveness issues (Brigg, 2001). A merger was officially authorized eight years later. Shield, Thorpe, and Nelson (2002) study human resource management and employees’ reactions during the merger and accompanying changes.

These newly merged hospitals were studied using observation, interviews, and focus groups. It was noted that the psychological contracts from the first employer had an effect on the employees’ reaction to the merger and whether they were able to “make the most of the merger” (Shield, Thorpe, and Nelson 2002, 361). One hospital did not successfully manage human resources, and many employees quit after the merger. The hospitals experienced issues due to differing traditions, loyalties, values, procedures, culture, poor leadership, uncertainty, and demotivation. It is recommended that information should be communicated to employees frequently, specifically information pertaining to progress and problems. “In managing change, psychological contracts should be deliberately, carefully, and extensively preserved” (Shield, Thorpe, and Nelson 2002, 361).

*Cortvriend (2004)*

The Labour party gained power in the UK in 1997, and the National Health Service has experienced many organizational changes since then, including mergers and de-mergers. Though the National Health Service of Britain has undergone many mergers
and de-mergers, a gap in the literature exists in this area (Cortvriend, 2004). Research from the United States and Canada has addressed mergers, and the findings are generally consistent with those in Britain. The nurse retention literature has noted management style, lack of communication, and increased stress as motives for the voluntary turnover of nurses (Cangelosi, Markham, & Bounds, 1998; Leveck & Jones, 1996; Martin & Mackean, 1988).

Cortvriend (2004) was able to gain access to a Primary Care Trust (PCT). The goal was to examine what the employees felt were the most important parts of the change and their psychological contract, as well as their experiences. The specific PCT that was studied went through a merger, and then went through a de-merger one year later. The sample consists of 31 subjects (administrative staff, senior managers, middle managers, allied health professionals, and nurses) who participated in focus groups. An example statement was given on a topic in order to begin the discussion. While the employees’ experiences during the organizational changes were varied, the overall feelings toward the de-merger were much more negative than toward the merger.

An autocratic leadership style led to negative feelings and outcomes, while a democratic leadership style led to positive feelings and outcomes. This leads to the conclusion that leadership style is related to employees’ feelings. Subjects also discussed culture in terms of the relationship between the merging organizations, geographical areas merging, and the conflicts and problems that it caused. During the discussion, the participants tended to focus on their own role in the changes. When the employees felt they were not involved in the merger decisions, they felt disempowered.
Psychological contracts were also discussed in the focus groups. The subjects described communication and consultation as practically non-existent during the merger (Cortvriend, 2004). The participants discussed job satisfaction in regards to extrinsic factors, such as pay and working conditions. The policies concerning holidays had not been addressed. These can be perceived as breaches of the psychological contract. In fact, some people in this organization did leave and others, who ultimately stayed, thought about quitting. Also, motivation levels changed over time for these employees. The mean tenure of the subjects was seventeen years. This may mean their psychological contracts were strong, even without a breach of contract. The change and possibility of further changes left the employees feeling uncertain, resigned, uneasy, anguished, frustrated, shocked, and/or demotivated (Cortvriend, 2004). This study may have been limited by the exploratory nature of the study and the small sample size.

*Searle and Ball (2004)*

The purpose of the Searle and Ball (2004) study is to investigate the role of trust and distrust for those who remain with an organization after it has gone through a merger. Differences in trust are thought to relate to the psychological contract and organizational justice. Verbal commitments and contextual aspects are two mechanisms of expectations in a psychological contract (Rousseau, 2001). Rousseau's (2004) mechanisms are used to determine "how far a leap of trust will be made" (Searle and Ball 2004, 709). Some examples of factors of psychological contracts are promotion, training, and performance.

Organizational justice, including distributive, procedural, and interactional justice, is linked to trust (Greenberg, 1987). Distributive justice is based on the fairness of decision outcomes, such as employees being let go from the organization. Procedural
justice is based on the fairness of the procedures used to reach a decision. An example is the fairness of the procedures used to determine which employees to let go. Interactional justice is based on the treatment of the individuals affected by a decision. Interactional justice has two dimensions, interactional and informational. Interactional justice is the level of respect with which people are treated, while informational justice is the level of communication or quality of explanations.

One major difference between trust and distrust is the “enduring quality of impact” (Searle and Ball 2004, 711). Distrust can form in two different ways. It can form as “a consequence of the absence of confidence in others” or “through perceived malice and hostility from others (Govier, 1993)” (Searle and Ball 2004, 711). When distrust develops, those left in the organization become information processors and study others’ motives (Fein & Hilton, 1994; Fein, 1996; Kramer, 1996; Staw, Sutton, & Kramer, 2001). Gossip pertaining to managers can also affect trust.

Two confectionary manufacturers merged. Longitudinal data was collected from the time the decision was made to consolidation of the manufacturers in 2000. Interviews were conducted in 2000 and again in 2002. In between the interviews, field notes were taken during visits. Employees were asked questions about their daily work after the takeover and production changes. At the end of the two year time period, only six of the original participants remained with the organization. There were subjects from both manufacturers and three of them were first tier management and the other three were shop floor staff. Two of the participants were promoted in the time between interviews.

The surviving employees indicated that their job-related expectations, or psychological contract, changed. One important aspect identified by the subjects was the
new benefits. Trust was based on the specific benefits received. One distrust dimension was local experience. Distrust actually increased simply from hearing about other employees’ experiences. Mistakes were made in the wages and there were delays in the correction. This was viewed as a lack of respect, which is a part of interactional justice, while the delay in corrections was viewed as procedural injustice.

Organizational justice was the most common theme. The two main types of issues were procedural and interactional justice; 54% of the trust-related issues pertained to these two types of justice. The survivors felt there was a serious lack of respect shown toward the remaining employees. Interactional justice deteriorated through a lack of information. There were procedural justice issues in the consistency, accuracy, and application of new human resource processes. The general outcome was distrust. “Once distrust was established in the minds of survivors, their attention was focused on discrepancies, such as broken promises”, or breaches in the psychological contract (Searle and Ball 2004, 718).

Bligh and Carsten (2005)

Managers who experience organizational changes, such as mergers, have their own psychological contracts. Findings from prior research suggest that communication, job security, social support, and work-role stability are important in times of organizational change (Guzzo et al., 1994; Marks & Mirvis, 1998; Rousseau, 2001). However, managers also play a role in their employees’ psychological contracts. The managers are responsible for sharing information about the changes with their employees. The purpose of Bligh and Carsten's (2005) study is to examine psychological contracts from a manager’s perspective.
The sample is comprised of managers from a large healthcare system that went through a full-scale merger two years before the sample was collected. Bligh and Carsten (2005) interviewed managers from two departments. The first department, the Cardiac service line, was in an intermediate stage of the merger, and the second department, the OBG/YN service line, was at a later stage in the merger process. The sixteen nurse managers (nine from Cardiac, seven from OBG/YN) participated in one to two hour interviews. Their responses were coded as transactional or relational psychological contracts, based on the work of Guzzo, Noonan, and Elron (1994) and Lester et al. (2002). In the pattern-level coding, the transactional and relational categories were grouped into analytic units and higher-order categories.

Two types of psychological contracts were discussed during the interviews. Upward contracts are contracts between the supervisor and top management, and downward contracts are between the manager and their employees. Three main elements of downward contracts emerged. Honest and direct communication is imperative both during and after the changes. In order to alleviate some of the uncertainty, managers gave their employees autonomy and discretion. The nurse managers also felt it was important to provide emotional support during the change process. Respect was mentioned, although less frequently than the other downward contract themes. The most frequently discussed upward contract theme was material support and resources, though managers were also concerned about relational aspects of their psychological contract. The other main theme was strategic communication. Managers most wanted to know information regarding the precise nature, timing, and direction of the merger process.
Empowerment was also mentioned in the conversations about downward contractual elements.

Additional themes that developed throughout the interviews were loyalty and commitment. The nurse managers expressed difficulty in giving up old work sites, routines, and familiar places. Most of the topics mentioned were relational aspects of psychological contracts, although some were transactional in nature. Work schedules and satisfactory work conditions were included as part of the downward contracts. The frustration of changing job descriptions was considered part of the upward contracts. The managers' main focus on relational parts of the psychological contract is consistent with prior literature (Herriot, Manning, and Kidd 1997). Herriot, Manning, and Kidd (1997) found that lower level employees tended to place more emphasis on the transactional aspects of the psychological contract.

While the conclusions of the study by Bligh and Carsten (2005) are limited by its small sample size of sixteen nurse managers, the findings showed transactional elements may be more important to managers immediately after a merger. When the contracts are reestablished, the managers should be able to pay more attention to the relational parts of their psychological contracts. Those who were interviewed expressed that they felt lonely and did not communicate very often with their peers. It is suggested that support can be provided even with small gestures such as phone calls, timely inquiries, or tokens of appreciation and recognition (Bligh & Carsten, 2005).

Bellou (2007)

Mergers and acquisitions are examples of extreme organizational change, which can be threatening to employees (Saunders & Thornhill, 2003). It has been found that
organizational changes may lead employees to reexamine their psychological contract (Wiesenfeld & Brocker, 1993). It has also been found that monitoring employees’ psychological contracts is important to achieve expected outcomes from mergers and acquisitions (Shield et al., 2002). Yet, research in this area is limited, particularly empirical studies. Bellou (2007) focuses on the changes in the psychological contracts during the merger and acquisition process by comparing the ‘previous’ and the ‘current’ contracts. A ‘previous’ psychological contract “refers to the contract developed between employees and the pre-merger/acquisition organization” (Bellou 2007, 69). Psychological contracts that “emerged with the post-merger/acquisition organization” are termed ‘current’ (Bellou 2007, 69). Bellou (2007) predicts employee perceptions relating to organizational obligations and contributions will change during a merger/acquisition. She also hypothesizes that the employees who feel less able to manage organizational changes successfully are more likely to believe organizational obligations and contributions have changed because of a merger or acquisition.

Greek organizations that had been through a merger or acquisition in the last three years, had 1,000 to 2,000 employees, and had offices located in Athens were asked to distribute a questionnaire to their employees. The sample consisted of non-managerial, full-time employees who worked for at least six months before the merger or acquisition. Of the 450 surveys that were handed out, 255 of the surveys were complete and usable, resulting in a 56.7% response rate. Items developed by Rousseau (1990) and Roehling et al. (2000) were used to measure the previous and current psychological contracts. The subjects were asked to indicate the extent to which their employer was obligated to provide them with certain items. They were also asked the extent to which their
employer actually provided those items. The items were opportunity to promote, high pay, pay according to performance, continuous education, long-term employment, personal development, support for personal problems, interesting work, involvement in decision-making, and recognition. The objective was to measure changes in the psychological contract, not contract breaches. Employees’ coping ability was also measured, using items developed by Judge et al. (1999). Factor analysis was used first to test whether the items represented a single construct for the previous and the current psychological contracts. T-tests were used to test the hypotheses.

As expected, employees’ perceptions changed for six out of the ten obligations. After the merger or acquisition, perceptions lowered for pay according to performance, long-term employment, support for personal problems, involvement in decision-making, and recognition, whereas perceptions rose for continuous education. Perceptions remained stable for opportunity to promote, high pay, personal development, and interesting work. Employees’ perceptions changed for nine out of ten contributions as predicted. The only one that did not change was continuous education. The overall results suggest that after the merger or acquisition process, employees give credit to the organization for more transactional obligations (Bellou, 2007).

The results provide support for the hypothesis that the employees who do not feel able to manage organizational changes successfully are more likely to believe organizational obligations and contributions have changed. The employees who did not trust themselves in managing changes believed there were major changes in six of the ten obligations. This group of employees believed that the post-merger organization had less of an obligation to deliver high pay, pay according to performance, long-term
employment, involvement in decision-making, and recognition. On the other hand, the workers who did trust themselves to effectively manage change believed the post-merger organization had more of an obligation to provide continuous education. None of the other obligations changed. The employees who felt they were less able to successfully deal with changes indicated nine of the ten contributions changed. Again, continuous education was unchanged. Participants who were more confident in their coping abilities believed the only contribution that changed was support for personal problems. The overall findings reveal that employees’ coping ability significantly affects their perceptions of changes in the psychological contract.

Freese, Schalk, and Croon (2011)

The psychological contracts perceived by employees are impacted by organizational changes. The contract may be influenced by the consequences in the work situation, changes in the work atmosphere, and/or the implementation process (Schalk, Campbell, & Freese, 1998). It is investigated whether the perception of an organizational change leads to changes in employees’ psychological contracts (Freese, Schalk, and Croon 2011). They hypothesize that the changes decrease the fulfillment of perceived organizational and employee obligations, and that the changes will increase the amount of psychological contract violations. It is also posited that the lack of fulfillment, or the violation of perceived organizational obligations, is related to a decreased level of perceived employee obligations.

Organizational commitment and intention to turnover are analyzed as outcomes. Two types of organizational commitment from the Organizational Commitment Model (Meyer & Allen, 1991) are of interest, affective and continuance. Affective commitment
is "the emotional attachment to or organization when employees identify with an organization and enjoy the membership", and continuance commitment is "based on the perceived costs-benefits evaluation of maintaining organizational membership" (Freese, Schalk, and Croon 2011, 407). The definition of intention to turnover is based on Lubich (1997) as the desire to end employment with an organization. It is additionally hypothesized that when psychological contracts are violated more frequently, or if perceived organizational obligations are fulfilled to a lesser extent, it is related to lower levels of affective and continuance commitment and higher levels of intent to turnover. Changes in the organization are expected to negatively affect the level of affective and continuance commitment and positively affect the level of intention to turnover.

Three organizations located in The Netherlands were sampled by Freese, Schalk, and Croon (2011). Two of the companies provide home care, while the third hosts elderly people. One of the home care organizations went through a merger that involved major restructuring. The elderly homecare company was restructuring tasks in a way similar to a merger. All of the businesses, including the second homecare organization, were reorganizing middle management. A questionnaire was distributed to 869 workers five months before the restructuring/merger. There were 450 responses (52% response rate). A second questionnaire was given one month after the restructuring or merger. Of the 450 respondents from the first survey, 245 people completed the second one (59% response rate). Those people were given a third survey seven months after the restructuring or merger, and 186 employees filled it out (76% response rate).

The survey has six parts beginning with demographic information. The second part consists of five scales about perceived organizational obligations including job
content, career development, social atmosphere, organizational policies, and rewards (Freese, Schalk, and Croon 2008). For all 40 items contained in the five scales, subjects were asked if the degree of fulfillment of the perceived organizational obligations was acceptable or not in order to measure experienced violations. Fourth, in-role and extra-role employee obligations were assessed using scales also developed by Freese, Schalk, and Croon (2008). Affective commitment, continuance commitment, and intention to turnover were all measured using items from others’ previously established scales. The measure for organizational change asks if something in the employees’ work or the organization changed in the last six months in a yes or no format.

Based on the regression of organizational change on organizational obligations and violations, it was found that organizational change has a significant negative effect on the fulfillment of some organizational obligations, including organizational policies and rewards. However, there were no significant effects on job content, career development, or social atmosphere as predicted. Organizational change did have a significant impact on the number of psychological contract violations as hypothesized.

Next, organizational change, organizational obligations, and violations were regressed on in-role obligations, extra-role obligations, affective commitment, and continuance commitment. Contrary to expectations, organizational change did not have an effect on perceived in-role and extra-role employee obligations. A lower level of fulfillment of career development, social atmosphere, and violations did have a negative effect on in-role employee obligations. Affective commitment was impacted by lower levels of fulfillment of job content and organizational policies, and continuance commitment was affected only by organizational policies. The level of fulfillment of
perceived employee obligations affected intention to turnover, although the level of fulfillment of perceived organizational obligations did not. Organizational changes did not significantly influence affective or continuance commitment.

Organizational change was regressed on intention to turnover. Organizational change does increase the intention to turnover as hypothesized. All of the significant effects are time-invariant, demonstrating that relationships between variables remained constant over the period during which the three surveys were completed. The first time the employees were surveyed was five months before the merger or restructuring took place. More respondents indicated that a change had taken place at this time than they did after the merger. Freese, Schalk, and Croon (2011) interpret this as continuous organizational change.

Summary

Many companies experience major organizational changes including mergers (Sparrow 1996a; Turnley and Feldman 1998; Shield, Thorpe, and Nelson 2002; Cortvriend 2004; Searle and Ball 2004; Bligh and Carsten 2005; Bellou 2007; Freese, Schalk, and Croon 2011), de-mergers (Cortvriend, 2004), acquisitions (Turnley and Feldman 1998; Freese, Schalk, and Croon 2011), and restructuring/reorganization (Cangelosi, Markham, and Bounds 1998; Freese, Schalk, and Croon 2011). Researchers have studied the changes in psychological contracts as a result of organizational change (Sparrow 1996a; Searle and Ball 2004; Bellou 2007; Freese, Schalk, and Croon 2011). Bligh and Carsten (2005) examined changes in manager's upward and downward psychological contracts.
Negative outcomes are associated with these changes in the psychological contracts from major organizational changes. They include turnover (Hubbard and Purcell 2001; Shield, Thorpe, and Nelson 2002; Cortvriend 2004; Searle and Ball 2004), turnover intentions (Turnley and Feldman 1998; Cortvriend 2004; Freese, Schalk, and Croon 2011), loyalty (Bligh & Carsten, 2005; Turnley & Feldman, 1998), job satisfaction (Bligh & Carsten, 2005), and organizational commitment (Bligh and Carsten 2005; Freese, Schalk, and Croon 2011). These outcomes were found using several different methods: interviews (Bligh & Carsten, 2005; Searle & Ball, 2004; Sparrow, 1996b), surveys (Bellou, 2007; Freese et al., 2011; Sparrow, 1996b; Turnley & Feldman, 1998), and focus groups (Cortvriend, 2004; Sparrow, 1996b). Other negative outcomes are plausible, but they have not been analyzed in an organizational change setting at this time.

**Hypothesis Development**

A psychological contract breach means “not only that a promise has not been met, but also that [the employee] has made contributions in exchange for that promise that have not been adequately reciprocated” by the employer (Morrison and Robinson 1997, 239). A psychological contract is considered relational when it “entails broad, open-ended and long-term obligations” (Morrison and Robinson 1997, 229), while transactional psychological contracts are “specific, short-term, and monetizable obligations entailing limited involvement of the parties” (Morrison and Robinson 1997, 229). Pay raises, promotions, and bonuses are transactional psychological contract elements that are frequently affected by mergers and acquisitions. Relational psychological contract elements commonly impacted during organizational changes
include job security, job responsibilities, and career development. Each element is analyzed separately since employees' reactions to psychological contract breaches may differ depending on what was breached. Also, employers may be able to reciprocate on one element, but not another. Using three elements of each type of psychological contract also allows for a more general comparison between transactional and relational psychological contract breaches.

Morrison and Robinson (1997) contend that employees are less likely to perceive a breach in relational psychological contracts, and more relational expectations may be better able to endure threats to the psychological contract (Rousseau, 2004). Therefore, it is hypothesized that more perceived breaches in transactional psychological contracts are also expected in a merger and acquisition setting. Promotions, pay raises, and bonuses are transactional psychological contracts and therefore, are predicted to be more frequent than the relational psychological contracts, which are job security, career development, and job responsibilities.

**H1:** Transactional psychological contract breaches are perceived more frequently than relational psychological contract breaches.

As a result of breaches in psychological contracts during mergers and acquisitions, employees may experience feelings of violation, which are “affective and emotional experience[s] of disappointment, frustration, anger, and resentment that may emanate from an employee’s interpretation of a contract breach and its accompanying circumstances” (Morrison and Robinson 1997). Feelings of violation differ from a psychological contract breach, which is a perception. Using factor analysis, Robinson
and Morrison (2000) find that psychological contract breach and feelings of violation are separate constructs.

Morrison and Robinson (1997) contend that when a relational psychological contract breach is perceived, the feelings of violation are stronger. Violations of transactional contracts may be remedied with an adjustment to the obligations, but violations of relational contracts may damage the relationship between employer and employee (Robinson, Kraatz, & Rousseau, 1994). Therefore, during organizational changes, feelings of violation resulting from relational psychological contract breaches are anticipated to be more severe than when a transactional psychological contract is breached.

**H2:** Feelings of violation from relational psychological contract breaches are stronger than feelings of violation from transactional psychological contract breaches.

A positive relationship is hypothesized between the breach of each psychological contract and subsequent feelings of violation.

**H3a:** There is a positive relationship between a breach in a transactional psychological contract and associated feelings of violation.

**H3b:** There is a positive relationship between a breach in a relational psychological contract and associated feelings of violation.

Equity theory states that employees compare their inputs to their outputs (Adams, 1965). In the case of a psychological contract breach, the employee perceives that the employer has not reciprocated their inputs with the promised outputs. According to the equity theory, employees can restore equity by lowering their inputs (Adams, 1965). One
way employees can do this is by reducing their performance. Similarly, employees can reduce their behavior that goes beyond what is expected of them. Organizational citizenship behavior (OCB) "represents individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization" (Organ, 1988). Prior research has found that breaches in psychological contracts during organizational change result in decreased job satisfaction (Bligh & Carsten, 2005). This finding is in line with the equity theory. If employees are experiencing inequity, it follows that they are not satisfied with their job.

During organizational changes, "the autonomy to act consistently and in accordance with deeply-held beliefs may be challenged" (Nesterkin 2013, 577). According to the reactance theory, a reduction in autonomy can provoke employees to participate in restricted behaviors (Brehm 1966; Brehm and Brehm 1981; Wicklund 1974). Workplace deviance is "voluntary behavior violating significant organizational norms and, in doing so, threatens the well-being of the organization or its members, or both" (Robinson and Bennett 1995). Organizational deviance is directed at the organization (Bennett & Robinson, 2000).

It is theorized that stronger feelings of violation will lead to decreased employee performance, organizational citizenship behavior, and job satisfaction as well as increased organizational deviance.

**H4a:** There is a negative relationship between feelings of violation and employee performance.
H4b: There is a negative relationship between feelings of violation and organizational citizenship behavior.

H4c: There is a negative relationship between feelings of violation and job satisfaction.

H4d: There is a positive relationship between feelings of violation and organizational deviance.

Suazo and Stone-Romero (2011) examine the mediating role of feelings of violation on the relationship between a breach in contract and employee behavior, though it was not in an organizational change setting. The authors found that feelings of violation mediate the relationship between psychological contract breach and in-role performance (Suazo & Stone-Romero, 2011), such that performance was impacted most for employees who had a stronger emotional reaction to a psychological contract breach. It is posited that feelings of violation will mediate the direct relationship between psychological contract breaches and employee performance in a merger or acquisition situation. It is also hypothesized that the direct relationships between psychological contract breach and the outcomes of organizational citizenship behaviors, job satisfaction, and organizational deviance are mediated by feelings of violation.

H5a: Feelings of violation mediate the relationship between psychological contract breaches and employee performance.

H5b: Feelings of violation mediate the relationship between psychological contract breaches and organizational citizenship behavior.
H5c: Feelings of violation mediate the relationship between psychological contract breaches and job satisfaction.

H5d: Feelings of violation mediate the relationship between psychological contract breaches and organizational deviance.

Organizational justice affects the way employees feel during mergers and acquisitions. Based on case studies, Hubbard and Purcell observe “the way in which actions were conducted and explained to employees appeared to be the most important” to employees during acquisitions (2001, 31). The way decisions are made is a part of justice, which is based on the fairness of procedures used to reach a decision. The explanations of decisions are also a part of justice that depends on the level of respect with which people are treated and the level of communication or quality of explanations. If an employee that experiences a breach of psychological contract, but believes that the outcome, decision-making process, and/or communication is fair, they may not be as upset about the breach and experience less feelings of violation. It is hypothesized that organizational justice reduces the feelings of violation from a perceived psychological contract breach.

H6: Organizational justice moderates the relationship between psychological contract breaches and feelings of violation.

Prior research has found that organizational change results in increased turnover intentions (Turnley and Feldman 1998; Cortvriend 2004; Freese, Schalk, and Croon 2011) and increased turnover (Hubbard and Purcell 2001; Shield, Thorpe, and Nelson 2002; Cortvriend 2004; Searle and Ball 2004) for employees. These studies were able to
observe how many employees ultimately left the company, but they were not able to interview or survey those who left the organization.

Some employees are forced to leave the organization, while other employees make the choice to terminate their employment. Employees who leave the organization because they have no other choice are Involuntary Leavers. Those who choose to leave the organization are Voluntary Leavers. Of the workers who remain with the organization, some stay because they have no other choice (Involuntary Stayers) and others stay because they choose to (Voluntary Stayers). It is theorized that Voluntary Leavers and Involuntary Stayers perceive a higher number of breaches, more severe breaches, and stronger feelings of violation from breaches in the psychological contracts than Involuntary Leavers and Voluntary Stayers.

**H7a:** There are more psychological contract breaches perceived by Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.

**H7b:** The psychological contract breaches are more severe for Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.

**H7c:** Feelings of violation are stronger for Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.
CHAPTER 3

METHODOLOGY

Amazon Mechanical Turk “Workers” were used as the subjects for a survey testing the effects of psychological contract breaches during mergers and acquisitions. Established, Likert-type scales are used to measure psychological contract breaches, feelings of violation, and the outcomes of employee performance, organizational citizenship behavior, job satisfaction, and organizational deviance. All items are self-reported. The hypotheses are tested using ANOVA and Structural Equations Modeling.

Participants

Participants from Amazon’s Mechanical Turk completed a survey. The “Workers” on Mechanical Turk choose the tasks they wish to complete, which are called Human Intelligence Tasks (HITs). To improve the quality of the data, the initial qualifications were set so that the respondents needed to have a 97% accuracy rating, meaning that they have successfully completed 97% of the Human Intelligence Tasks (HITs) attempted. They were also required to have completed at least 50 HITs and have a registered address in the United States. If the “Workers” did not meet these initial qualifications, they were not able to access the survey. Before they are hired, though, they are voluntarily screened to be sure that they meet the study’s specific requirements. “Workers” for this study must have worked or currently work for a company that has
experienced a merger or an acquisition in the United States in order to participate in the study (and hence get paid). Of the 1,507 people who started the survey, 864 of them did not qualify because they did not work or previously work for a company that experienced a merger of acquisition. An additional 32 participants did not qualify for the survey because the company was located outside of the United States. Nineteen qualified respondents were removed from the survey for failing one of three attention check questions. Ninety-two people did not finish the survey. A total of 500 complete responses were collected from Mechanical Turk.

Seven respondents were removed from the Mechanical Turk sample. One subject took the pilot test; one did not correctly enter the survey code on Mechanical Turk; two submitted the survey twice; and three did not provide the name of the company for which they worked. Of the 493 usable responses, the average age is 34 years old, 62.5% are male, and the mean tenure with the company is almost seven years. Also, 46.9% are employees with no managerial duties (rank=1), 22.7% are lower level management (rank=2), 22.5% are middle level management (rank=3), 3.2% are top level management (rank=4), and 4.7% are professionals (rank=5). Males and females were coded one and two, respectively. This information is displayed in Table 2. The minimum age requirement to become a Mechanical Turk Worker is 18 years old.
Table 2

Demographic Information

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
<th>Range</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure</td>
<td>6.8</td>
<td>5.0</td>
<td>45.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Age</td>
<td>34.4</td>
<td>32.0</td>
<td>51.0</td>
<td>10.1</td>
</tr>
<tr>
<td>Rank</td>
<td>3.0</td>
<td>3.0</td>
<td>4.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Gender</td>
<td>1.4</td>
<td>1.0</td>
<td>1.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Survey Design

The survey consists of established scales for psychological contract breaches, feelings of violation, job satisfaction, organizational deviance, performance, organizational citizenship behaviors, and organizational justice. The respondents are also asked about the company, their employment status, and demographic information. To ensure active participation, three attention checks are used throughout the survey. The average completion time was 13 minutes. Each participant who passed all of the attention questions and completed the survey was paid $2.00.

Variable Measurements

Exogenous Variables

Psychological Contract Breaches

Pay raises, promotions, and bonuses are common elements of transactional psychological contracts that are affected by mergers and acquisitions. Elements of relational psychological contracts frequently impacted during organizational changes include job security, job responsibilities, and career development. Each element is tested as a separate psychological contract in order to identify the individual effects a merger or
acquisition has on the various elements of the psychological contract. The extent of a psychological contract breach is measured using a five item, global measure (Robinson & Morrison, 2000), which was modified to refer to each of the six psychological contract elements. Respondents indicate the extent of the perceived breach on 5-point Likert-type scales. A high score indicates a more severe breach. Some of the items, as modified for the psychological contract breach promotion, are “I have not received everything promised to me [about promotions] in exchange for my contributions” and “My employer has broken many of its promises [about promotions] to me even though I’ve upheld my side of the deal” (Robinson & Morrison, 2000). The reported coefficient alpha for these items is 0.92 (Robinson & Morrison, 2000). The scale is used six times in this study, and the reliabilities are 0.94 to 0.95.

Organizational Justice

Organizational justice is tested with a scale developed by Ambrose and Schminke (2009). An overall justice scale is used because it has been suggested that the specificity of justice measurement should match the specificity of measurement used for the outcomes (Colquitt & Shaw, 2005). In this case, global measures are used for the outcomes, so a global scale is used for justice, too. The measure for organizational justice consists of six items, including “Overall, I’m treated fairly by my organization” and “For the most part, this organization treats its employees fairly” (Ambrose and Schminke 2009). The items were measured on a 7-point Likert scale that ranges from Strongly Disagree to Strongly Agree. The alpha for the overall justice scale is 0.93 (Ambrose & Schminke, 2009). In this study, the reliability is 0.94.
**Endogenous Variables**

**Feelings of Violation**

Feelings of violation are associated with a specific element of a psychological contract breach. Feelings of violation from a breach in raises, bonuses, promotions, job responsibilities, job security, and career development are measured individually. Feelings of violation are measured using a global scale with four items, modified for each psychological contract element. The items for feelings of violation from a psychological contract breach in job responsibilities, for example, include “I feel a great deal of anger toward my organization [over job responsibilities]”, “I feel betrayed by my organization [with regard to job responsibilities]”, “I feel that my organization has violated the contract [about job responsibilities] between us”, and “I feel extremely frustrated by how I have been treated by my organization [relating to job responsibilities]” (Robinson & Morrison, 2000). The responses ranged from 1 (strongly disagree) to 5 (strongly agree). The reported coefficient alpha for this scale is 0.92 (Robinson & Morrison, 2000). In this study, the scale is used six times, and the reliabilities are 0.95 to 0.96.

**Employee Performance**

Employee performance was measured as in-role behaviors (Williams and Anderson 1991). In-role behaviors are those that are explicitly expected of an employee. This is a seven item scale and includes statements such as “Adequately completes assigned duties” and “Performs tasks that are expected of him/her”. Williams and Anderson's (1991) results demonstrate that in-role behaviors and OCBs are separate
constructs. This scale is also scored on a typical 5-point Likert-type scale. The reported reliability for this scale is 0.91 (Williamson, 1981), and is 0.88 in this study.

**Organizational Citizenship**

The OCBs examined are those that benefit the organization. Organizational citizenship was measured using Lee and Allen's (2002) organizational citizenship behaviors (OCB) towards the organization scale. The scale consists of eight items. Examples are “Defend the organization when other employees criticize it” and “Offer ideas to improve the functioning of the organization” (Lee & Allen, 2002). The scoring is on a traditional Likert-type scale with five options ranging from strongly disagree to strongly agree. This scale has a reported reliability of 0.88 (Lee & Allen, 2002). The reliability in the current study is 0.92.

**Job Satisfaction**

The scale used to measure job satisfaction is an abridged version of the original Job in General (JIG) scale created by (Ironson, Smith, Brannick, & Gibson, 1989). The abridged JIG scale consists of eight adjectives and short phrases and the respondents indicate whether the word or phrase describes his/her job (Russell et al., 2004). The subject selects “yes”, “?”, or “no”, and this is scored as 3, 1, and 0, respectively. While the original JIG scale contained eighteen items, the eight items of the abridged version consist of “good,” “undesirable,” “better than most,” “disagreeable,” “makes me content,” “excellent,” “enjoyable,” and “poor.” This scale was selected since it is more efficient and the general nature allows the scale to be used across industries and ranks. The abridged scale has a reported alpha coefficient of 0.85 (Ironson et al., 1989). The reliability in this dissertation is 0.93.
**Organizational Deviance**

Organizational deviance is analyzed using the scale developed by Bennett and Robinson (2000). The scale includes twelve deviant behaviors that vary in seriousness. Examples are “Neglected to follow your boss's instruction”, “Littered your work environment”, and “Taken property from work without permission”. Subjects are asked to indicate on a scale of one to seven how often they engage in a particular behavior. The scale anchors are never (1), once a year (2), twice a year (3), several times a year (4), monthly (5), weekly (6), and daily (7). The reported Chronbach’s alpha for these items is 0.81 ((Bennett & Robinson, 2000). The reliability in the current study is 0.85.

**Employment Status**

Employment status is assessed by asking respondents to select the statement that best describes their employment status. The following statements were used to categorize subjects into four employment status classifications: “I have stayed with the company because I wanted to stay” (Voluntary Stayers); “I have stayed with the company because I can’t leave” (Involuntary Stayers); “I left the company because I wanted to leave” (Voluntary Leavers); and “I left the company because I had no other choice” (Involuntary Leavers). These statements are based on category descriptions used by (Hon, Mitchell, Lee, and Griffeth 2014).

**Demographic Variables**

Groups that have been assumed to have lower psychological attachment to the old employment relationship are employees of a low rank, with a shorter tenure, young, and/or female (Turnley & Feldman, 1998). Therefore, rank, tenure, age, and gender are included as control variables. The options for rank are: employee with no managerial
duties, lower level management, middle level management, top level management, and professional. Tenure and age are measured in years.

**Hypothesis Testing**

**H1:** Transactional psychological contract breaches are perceived more frequently than relational psychological contract breaches.

Promotions, pay raises, and bonuses are the transactional psychological contract breaches predicted to be more frequent than the relational psychological contracts, which are job security, career development, and job responsibilities. The frequency of psychological contract breaches is based on the average scores on the psychological contract scales. The psychological contract breach scale consists of five items on a scale of 1 to 5 (1=Strongly Disagree; 2=Disagree; 3=Neither Agree nor Disagree; 4=Agree; 5=Strongly Agree). Frequency is measured as the number of average breach scores that are greater than or equal to 3.5, which is the mid-point between Neither Agree nor Disagree and Agree. At 3.5, the average response is no longer neutral and indicates agreement with a psychological contract breach. The maximum possible number of transactional psychological contract breaches is three, as is the maximum for the number of relational psychological contract breaches. This hypothesis is tested using a paired-sample t-test.

**H2:** Feelings of violation from relational psychological contract breaches are stronger than feelings of violation from transactional psychological contract breaches.

The feelings of violation from breaches of relational psychological contract (job security, career development, and job responsibilities) are predicted to be stronger than
the feelings of violation from the breaches of transactional psychological contracts (bonus, promotion, and pay raises). Only the respondents who experienced at least one transactional and one relational breach are included in the sample for this test. The severity of feelings of violation from transactional psychological contract breaches is measured as the average of the scores on the feelings of violation scales associated with the transactional psychological contract breaches that were experienced by each respondent. Respondents may have experienced one, two, or three breaches based on the calculation in hypothesis 1. Severity of feelings of violation from relational psychological contract breaches is measured in the same way. This hypothesis is also tested using a paired-sample t-test.

**H3a:** There is a positive relationship between a breach in a transactional psychological contract and associated feelings of violation.

**H3b:** There is a positive relationship between a breach in a relational psychological contract and associated feelings of violation.

Each subject is asked about the six psychological contract breaches and the associated feelings of violation, which are tested using six different models. These relationships are tested with Structural Equations Modeling. The relationship between the breach and feelings of violation is depicted as H3 in Figure 1.

**H4a:** There is a negative relationship between feelings of violation and employee performance.

**H4b:** There is a negative relationship between feelings of violation and organizational citizenship behavior.
H4c: There is a negative relationship between feelings of violation and job satisfaction.

H4d: There is a positive relationship between feelings of violation and organizational deviance.

The relationship between feelings of violation and the outcomes of job satisfaction, organizational citizenship behaviors, organizational deviance, and employee performance are shown as H4 on Figure 1. Structural Equations Modeling is used to test these hypotheses.

H5a: Feelings of violation mediate the relationship between psychological contract breaches and employee performance.

H5b: Feelings of violation mediate the relationship between psychological contract breaches and organizational citizenship behavior.

H5c: Feelings of violation mediate the relationship between psychological contract breaches and job satisfaction.

H5d: Feelings of violation mediates the relationship between psychological contract breaches and organizational deviance.

The same dependent variables are used in each of the six models. These relationships are also tested using Structural Equations Modeling. The hypothesized mediated relationship is labeled H5 on Figure 1.

H6: Organizational justice moderates the relationship between psychological contract breaches and associated feelings of violation.
Organizational justice is tested as a moderator using Multiple Group Analysis and Structural Equations Modeling. The predicted moderation is shown as H6 in Figure 1.

Theorized Model: Hypotheses 3, 4, 5, & 6

Figure 1 – Theorized Model

**H7a:** There are more psychological contract breaches perceived by Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.

**H7b:** The psychological contract breaches are more severe for Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.
**H7c:** Feelings of violation are stronger for Voluntary Leavers and Involuntary Stayers than Involuntary Leavers and Voluntary Stayers.

Frequency of psychological contract breaches is calculated the same as in Hypothesis 1, which is the number of psychological contract breach averages that are 3.5 or over. In Hypothesis 7, however, all psychological contract breaches are considered simultaneously, such that the highest possible number of psychological contract breaches is 6, versus three in Hypothesis 1. The severity of psychological contract breaches is measured as the average psychological contract breach score, which can range from 1 (Strongly Disagree) to 5 (Strongly Agree). The severity of feelings of violation is measured as it was in Hypothesis 2, where only the respondents with at least one transactional and one relational breach are included in the test, and the feelings of violation associated with the breaches actually experienced are averaged. Three, one-way ANOVAs are conducted to test for differences in frequency and severity of psychological contract breaches and the severity of feelings of violation between Voluntary Stayers, Involuntary Stayers, Voluntary Leavers, and Involuntary Leavers.
CHAPTER 4

RESULTS

Survey Administration

A pilot study was successfully conducted to ensure the intended sample of employees who have been through a merger or acquisition could be collected using an online survey on Mechanical Turk. It took an average of thirteen minutes for participants to successfully finish the survey. They were paid $2 each for their responses. The Structural Equations Model contains 44 scale items. It is recommended to have at least five to 10 observations per scale item (Hair, Black, Babin, Anderson, & Tatham, 2010). Five hundred Mechanical Turk Workers who have been through a merger or acquisition completed the survey. Seven responses were excluded from the final sample. Three respondents did not provide a company name, one respondent already took the pilot study, another respondent did not accurately submit his response to Mechanical Turk, and two responses were submitted twice (only one response per Worker was kept) for a final sample size of 493.

Attention Checks

Three attention checks were included in the survey to ensure that the participants remained observant. They were “For this question, mark Neither Agree nor Disagree”, “Please select Disagree”, and “Choose Agree as the answer to this question”.

81
Respondents were removed from the survey after missing one attention check, and their responses were not used. Those who were removed from the survey did not receive payment.

Demographic Information

Five subjects chose not to disclose their age, and one subject did not provide his tenure with the company. Because the responses were otherwise complete, the mean age and tenure was used for these participants. This method is appropriate when the amount of data missing is small and randomly occurring, as in this study (Hair et al., 2010). The average age is 34 years old, with a range of 18 to 69 years old. 62.5% of the sample is male. Males were coded as one (1), and women were coded as two (2). The mean tenure with the company is almost seven years, ranging from half of a year to 45.5 years. 46.9% are employees with no managerial duties (rank=1), 22.7% are lower level management (rank=2), 22.5% are middle level management (rank=3), 3.2% are top level management (rank=4), and 4.7% are professionals (rank=5). This information is tabulated and presented in Table 2. The correlations between the demographic variables are presented in Table 3.
Table 3

Demographic Information: Correlation Table

<table>
<thead>
<tr>
<th></th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank-Tenure</td>
<td>0.228***</td>
</tr>
<tr>
<td>Tenure-Gender</td>
<td>0.052</td>
</tr>
<tr>
<td>Tenure-Age</td>
<td>0.493*</td>
</tr>
<tr>
<td>Rank-Age</td>
<td>0.154***</td>
</tr>
<tr>
<td>Gender-Age</td>
<td>0.115**</td>
</tr>
<tr>
<td>Rank-Gender</td>
<td>-0.082*</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Control Variables

The control variables of rank, age, tenure, and gender were included in the model, which can be seen in Figure 2.
The controls were correlated with the endogenous construct, psychological contract breach, which can be seen in Table 4. As mentioned previously, rank was coded as follows: employees with no managerial duties (rank=1), lower level management (rank=2), middle level management (rank=3), top level management (rank=4), and professionals (rank=5). Gender was coded as one for males and two for females. The psychological contract breaches of raises, promotions, and career development are significantly correlated with tenure. The negative correlations indicate employees with a lower tenure perceive more severe psychological contract breaches relating to raises, promotions, and career development. The psychological contract breach of job security is significantly correlated with age, such that older employees perceive a more severe psychological contract breach in job security.

Table 4

Control Variables: Correlations with Psychological Contract Breaches

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breach-Tenure</td>
<td>-0.116**</td>
<td>-0.035</td>
<td>-0.165***</td>
<td>-0.062</td>
<td>-0.050</td>
<td>-0.081</td>
</tr>
<tr>
<td>Breach-Age</td>
<td>-0.052</td>
<td>-0.025</td>
<td>-0.036</td>
<td>0.011</td>
<td>0.109**</td>
<td>0.036</td>
</tr>
<tr>
<td>Breach-Rank</td>
<td>-0.075</td>
<td>-0.021</td>
<td>-0.063</td>
<td>-0.015</td>
<td>-0.063</td>
<td>-0.034</td>
</tr>
<tr>
<td>Breach-Gender</td>
<td>0.034</td>
<td>0.050</td>
<td>0.000</td>
<td>0.070</td>
<td>0.018</td>
<td>0.008</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Relationships between the control variables and the exogenous constructs of feelings of violation, employee performance, organizational citizenship behavior, and organizational deviance are also included in the model. The standardized regression weights of these relationships are displayed in Tables 5, 6, 7, 8, and 9.
Table 5

Control Variables: Standardized Regression Weights for Control Variables and Feelings of Violation

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violation-Tenure</td>
<td>0.004</td>
<td>0.002</td>
<td>0.041</td>
<td>-0.051**</td>
<td>0.036</td>
<td>0.027</td>
</tr>
<tr>
<td>Violation-Age</td>
<td>-0.021</td>
<td>0.002</td>
<td>-0.008</td>
<td>0.074**</td>
<td>-0.038</td>
<td>-0.030</td>
</tr>
<tr>
<td>Violation-Rank</td>
<td>-0.026</td>
<td>-0.033</td>
<td>-0.018</td>
<td>-0.003</td>
<td>-0.011</td>
<td>-0.008</td>
</tr>
<tr>
<td>Violation-Gender</td>
<td>0.028</td>
<td>0.021</td>
<td>0.026</td>
<td>-0.031</td>
<td>-0.003</td>
<td>0.003</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Table 6

Control Variables: Standardized Regression Weights for Control Variables and Employee Performance

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance-Tenure</td>
<td>0.002</td>
<td>0.014</td>
<td>0.004</td>
<td>-0.024</td>
<td>0.004</td>
<td>0.015</td>
</tr>
<tr>
<td>Performance-Age</td>
<td>0.080</td>
<td>0.081</td>
<td>0.089**</td>
<td>0.126**</td>
<td>0.108*</td>
<td>0.082</td>
</tr>
<tr>
<td>Performance-Rank</td>
<td>0.042</td>
<td>0.047</td>
<td>0.047</td>
<td>0.054</td>
<td>0.038</td>
<td>0.049</td>
</tr>
<tr>
<td>Performance-Gender</td>
<td>0.151***</td>
<td>0.152***</td>
<td>0.145***</td>
<td>0.142***</td>
<td>0.139***</td>
<td>0.141***</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Table 7

Control Variables: Standardized Regression Weights for Control Variables and Organizational Citizenship Behavior

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCB-Tenure</td>
<td>0.116**</td>
<td>0.136***</td>
<td>0.090*</td>
<td>0.097**</td>
<td>0.110**</td>
<td>0.103**</td>
</tr>
<tr>
<td>OCB-Age</td>
<td>0.013</td>
<td>0.013</td>
<td>0.037</td>
<td>0.059</td>
<td>0.072</td>
<td>0.049</td>
</tr>
<tr>
<td>OCB-Rank</td>
<td>0.146***</td>
<td>0.161***</td>
<td>0.153***</td>
<td>0.167***</td>
<td>0.143***</td>
<td>0.157***</td>
</tr>
<tr>
<td>OCB-Gender</td>
<td>0.126***</td>
<td>0.128***</td>
<td>0.114***</td>
<td>0.121***</td>
<td>0.107**</td>
<td>0.109***</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10
Table 8

*Control Variables: Standardized Regression Weights for Control Variables and Job Satisfaction*

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction-Tenure</td>
<td>0.041</td>
<td>0.070</td>
<td>0.004</td>
<td>0.015</td>
<td>0.025</td>
<td>0.016</td>
</tr>
<tr>
<td>Satisfaction-Age</td>
<td>-0.170***</td>
<td>-0.168***</td>
<td>-0.134***</td>
<td>-0.108**</td>
<td>-0.072</td>
<td>-0.110**</td>
</tr>
<tr>
<td>Satisfaction-Rank</td>
<td>0.067</td>
<td>0.084**</td>
<td>0.070*</td>
<td>0.101**</td>
<td>0.059</td>
<td>0.086**</td>
</tr>
<tr>
<td>Satisfaction-Gender</td>
<td>-0.028</td>
<td>-0.022</td>
<td>-0.047</td>
<td>-0.031</td>
<td>-0.058</td>
<td>-0.055</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Table 9

*Control Variables: Standardized Regression Weights for Control Variables and Organizational Deviance*

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviance-Tenure</td>
<td>0.013</td>
<td>0.008</td>
<td>0.025</td>
<td>0.036</td>
<td>0.016</td>
<td>0.020</td>
</tr>
<tr>
<td>Deviance-Age</td>
<td>-0.214***</td>
<td>-0.224***</td>
<td>-0.233***</td>
<td>-0.257***</td>
<td>-0.245***</td>
<td>-0.236***</td>
</tr>
<tr>
<td>Deviance-Rank</td>
<td>-0.054</td>
<td>-0.066</td>
<td>-0.065</td>
<td>-0.073</td>
<td>-0.061</td>
<td>-0.069</td>
</tr>
<tr>
<td>Deviance-Gender</td>
<td>-0.146***</td>
<td>-0.137***</td>
<td>-0.132***</td>
<td>-0.127***</td>
<td>-0.126***</td>
<td>-0.127***</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

**Feelings of Violation**

The results for the relationships between the control variables and feelings of violation can be seen in Table 5. Age and tenure are significantly related to feelings of violation from job responsibilities. This relationship with age is positive, suggesting that older subjects experience higher feelings of violation. The negative relationship between tenure and job responsibilities indicates that employees with lower tenure perceive more severe feelings of violation.
Employee Performance

Table 6 displays the standardized regression weights for the relationship between the control variables and employee performance. Age is significantly related to performance in the promotion, job responsibilities, and job security models. Older respondents report higher performance. Gender is significantly related to employee performance in all six models, which indicates that males report higher performance.

Organizational Citizenship Behavior

The standardized regression weights for the relationship between the control variables and OCB are shown in Table 7. Rank and gender are significantly related to organizational citizenship behaviors for all models. Males and those higher ranked in the company report higher organizational citizenship behavior. Tenure is significantly related to OCB for all psychological contracts except for job responsibilities, such that employees with longer tenure report higher organizational citizenship behaviors.

Job Satisfaction

The results for the relationship between the control variables and job satisfaction are presented in Table 8. Rank is significantly related to job satisfaction for bonuses, promotions, job responsibilities, and career development. The relationship is positive, indicating that respondents with a higher rank in the company report higher job satisfaction. Age is significantly and negatively related to job satisfaction in all models except for job security. This means that older employees report lower job satisfaction.
Organizational Deviance

Table 9 displays the standardized regression weights for the relationship between the control variables and organizational deviance. Age and gender are both significantly related to organizational deviance. Age was negatively related to deviance. Younger employees reported participating in more deviant acts than older employees. Gender was coded as male=1 and female=2, so the negative relationship to deviance suggests that males reported engaging in more deviant acts than women.

Dependent T-Tests

Hypothesis 1 Results

The psychological contract breaches (pay raises, bonuses, promotions, job responsibilities, job security, and career development) are measured with a five item, 5-point scale (Robinson & Morrison, 2000). For H1, frequency is computed as described above. Average psychological contract breach scores above 3.5 are counted, such that the highest score possible for the number of transactional psychological contract breaches is three and the highest score possible for the number of relational psychological contract breaches is three. The lowest score is zero. This can be seen in Table 10.
Table 10

*Number of Participants Who Experienced Psychological Contract Breaches*

<table>
<thead>
<tr>
<th></th>
<th>No Breach (1.00-3.49)</th>
<th>Breach (3.50-5.00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>378</td>
<td>115</td>
</tr>
<tr>
<td>Bonus</td>
<td>392</td>
<td>101</td>
</tr>
<tr>
<td>Promotion</td>
<td>379</td>
<td>114</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>406</td>
<td>87</td>
</tr>
<tr>
<td>Job Security</td>
<td>405</td>
<td>88</td>
</tr>
<tr>
<td>Career Development</td>
<td>379</td>
<td>144</td>
</tr>
</tbody>
</table>

As seen in Table 1, the most commonly experienced psychological contract breach is a breach in career development (29%), followed by raises (23%), promotions (23%), bonuses (20%), job security (18%), and job responsibilities (18%). Table 11 breaks down the frequency of psychological contract breaches even further. Slightly more than half of the respondents experienced at least one psychological contract breach during a merger or acquisition, and eleven of them experienced all six psychological contract breaches.

Table 11

*Number of Participants Who Experienced Psychological Contract Breaches*

<table>
<thead>
<tr>
<th>Transactional Breaches</th>
<th>Relational Breaches</th>
<th>All Breaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>295</td>
<td>318</td>
</tr>
<tr>
<td>1</td>
<td>98</td>
<td>89</td>
</tr>
<tr>
<td>2</td>
<td>68</td>
<td>58</td>
</tr>
<tr>
<td>3</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A dependent/paired sample t-test is appropriate for H1 since two means from the same respondents are being compared (mean frequency of transactional psychological contract breaches and mean frequency of relational psychological contract breaches). The assumptions for this test are normality and interval level data. The interval level data requirement is met. Although the Kolmogorov-Smirnov test of normality indicates a significant violation from normality for the frequency of transactional psychological contract breaches and the frequency of relational contract breaches, the distribution appears fairly normal. Also, according to the central limit theorem, the sampling distribution tends to be normal in large samples (n=30 or more), no matter the shape of the actual data (Field, 2009). With the normal appearance and the large sample size, the results from the t-test can be interpreted as usual.

The possible scores for frequency of transactional and relational psychological contract breaches are 0, 1, 2, or 3. The mean number of transactional psychological contract breaches is 0.67, and the mean number of relational psychological contract breaches is 0.59. This difference is significant at p=0.042. As seen in Tables 10 and 11, Table 10 and Table 11, a large part of the sample did not experience the psychological contract breaches and scored zero for the frequency of psychological contract breaches, resulting in the low means of 0.67 and 0.59. Hypothesis 1 is supported; transactional psychological contract breaches are perceived more frequently than relational psychological contract breaches.

Hypothesis 2 Results

The respondents who experienced at least one transactional and one relational breach (n=122) are used to test this hypothesis. The severity of feelings of violation from
transactional psychological contract breaches is measured as the average of the scores on the feelings of violation scales associated with the transactional psychological contract breaches that were experienced by each respondent. Respondents may have experienced one, two, or three breaches based on the calculation in hypothesis 1. Severity of feelings of violation from relational psychological contract breaches is measured in the same way.

A dependent/paired sample t-test is also appropriate for H2 since two means from the same respondents are being compared (mean severity of feelings of violation from transactional psychological contract breaches and mean severity of feelings of violation from relational psychological contract breaches). The same assumptions apply for this hypothesis test. The data is interval level, but the Kolmogorov-Smirnov test of normality shows a significant violation from normality for the severity of feelings of violation from transactional psychological contract breaches and the severity of feelings of violation from relational contract breaches.

The distributions appear close to normal. As with H1, the results from the t-test can be interpreted regularly due to the large sample size (Field, 2009). The mean severity of feelings of violation from transactional psychological contract breaches is 3.95, while the mean severity of feelings of violation from relational psychological contract breaches is 3.80. The difference is insignificant (p=1.00). The results were in the opposite direction of the hypothesis and would have been significant had the hypothesis been reversed. Hypothesis 2 is not supported, as the mean severity of feelings of violation from relational psychological contract breaches is lower than the mean severity of feelings of violation from transactional psychological contract breaches.
Confirmatory Factor Analysis

Factor Loadings

The standardized regression weights, also called factor loadings, indicate convergent validity. It is recommended that the standardized regression weights be at least 0.50 (Hair et al., 2010). For all six models, there were several items with factor scores below the recommended 0.50 threshold, and the items with the lowest factor scores were removed first. The smallest factor loading was the fifth item of the performance scale, “I engage in activities that will directly affect my performance evaluation”, which was removed from all models. Five items from the 12-item deviance scale did not meet the 0.50 minimum, and were also removed. The following items were removed from the deviance scale: “Discussed confidential company information with an unauthorized person”, “Used an illegal drug or consumed alcohol on the job”, “Falsified a receipt to get reimbursed for more money than you spent on business expenses”, “Littered your work environment”, and “Taken property from work without permission”. Most of the items dropped from the organizational deviance scale are illegal activities, and the ones that remain in the scale have more to do with a lack of effort. Not only do these items not meet the 0.50 minimum, it also makes sense that participation in illegal activities does not necessarily correlate with less severe deviant acts. A total of 38 of the original 44 items remained in the models. The remaining items in all six models have standardized regression weights above 0.50.

Model Fit

The fit of the models was analyzed next. The Root Mean Square Error of Approximation (RMSEA) includes model complexity and the sample size in its
calculation, which is advantageous over other measures of fit that could reject models that have a large sample size or a large number of observed variables, both of which are present in this study (Hair et al. 2010, 748). A lower RMSEA indicates a better fit. The comparative fit index (CFI) has "relative...insensitivity to model complexity" and is another widely used measure of fit (Hair et al. 2010, 749). The CFI can range from zero to one, with a higher number signifying a better fit. For models with sample sizes over 250 and the number of observed variables over 30, it is recommended that the RMSEA be 0.08 or lower, with CFI of 0.92 or above (Hair et al. 2010, 753). All of the models exhibit good fit, as can be seen in Table 12.

Table 12

Confirmatory Factor Analysis Fit Indices: Root Mean Square Error of Approximation & Comparative Fit Index

<table>
<thead>
<tr>
<th></th>
<th>RMSEA</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.054</td>
<td>0.933</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.054</td>
<td>0.933</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.053</td>
<td>0.934</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.056</td>
<td>0.925</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.055</td>
<td>0.934</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.054</td>
<td>0.931</td>
</tr>
</tbody>
</table>

Convergent Validity

Convergent validity is defined as the "extent to which a set of measured variables actually represents the theoretical latent construct those variables are designed to measure." (Hair et al. 2010, 771). The Average Variance Extracted and Construct Reliability are calculated to assess convergent validity. These tests are based on the 38
items that remained in the model after Confirmatory Factor Analysis. Items were removed from the employee performance and organizational deviance scales. None of the items from organizational citizenship behavior and job satisfaction scales were removed.

The Average Variance Extracted (AVE) was computed for each latent construct. The variance extracted is “a summary measure of convergence among a set of items representing a latent construct. It is the average percentage of variation explained among the items” (Hair et al. 2010, 773). As a general guideline, it is recommended that the AVE be 0.50 or higher (Hair et al., 2010). In all six models, there is one construct that does not meet this recommendation, which is deviance. The AVE for deviance is lower than preferred at 0.44 for all psychological contract breaches, as seen in Table 13.

Table 13

Confirmatory Factor Analysis Convergent Validity: Average Variance Extracted

<table>
<thead>
<tr>
<th>Construct</th>
<th>Breach</th>
<th>Violation</th>
<th>Performance</th>
<th>OCB</th>
<th>Satisfaction</th>
<th>Deviance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.79</td>
<td>0.79</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.78</td>
<td>0.87</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.77</td>
<td>0.85</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.76</td>
<td>0.83</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.81</td>
<td>0.86</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.77</td>
<td>0.85</td>
<td>0.54</td>
<td>0.58</td>
<td>0.61</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Construct Reliability (CR), which measures the “reliability and internal consistency of the measured variables representing a latent construct”, is also used to analyze convergent validity (Hair et al. 2010, 771). As a rule of thumb, the CR should be 0.7 or higher (Hair et al., 2010). All of the constructs in all of the models meet this criterion. This is displayed in Table 14.
Table 14

*Confirmatory Factor Analysis Convergent Validity: Construct Reliability*

<table>
<thead>
<tr>
<th></th>
<th>Breach</th>
<th>Violation</th>
<th>Performance</th>
<th>OCB</th>
<th>Satisfaction</th>
<th>Deviance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.95</td>
<td>0.96</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.95</td>
<td>0.96</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.94</td>
<td>0.96</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.94</td>
<td>0.95</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.95</td>
<td>0.96</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.94</td>
<td>0.96</td>
<td>0.88</td>
<td>0.92</td>
<td>0.93</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Though the AVE for deviance is slightly lower than preferred, the 0.50 threshold is just a general recommendation, and the CR for deviance is well over the minimum recommendation (Hair et al., 2010), so overall, deviance exhibits acceptable convergent validity. Based on the factor loadings determined during CFA, the remaining items for each construct were tested for convergent validity using the Average Variance Extracted and Construct Reliability, and the results of these tests support convergent validity in all of the constructs.

*Discriminant Validity*

Discriminant validity, which is the “extent to which a construct is truly distinct from other constructs”, is analyzed using the Squared Interconstruct Correlations, or SIC (Hair et al. 2010, 771). The SICs are compared to the Average Variance Extracted. Discriminant validity is demonstrated when the AVE is higher than the corresponding SICs since it shows that the construct explains its own item measures more than it explains a different construct (Hair et al., 2010). The comparisons where the AVE is not higher than the related SICs are shown in Table 15.
Table 15

Confirmatory Factor Analysis Discriminant Validity: Average Variance Extracted & Squared Interconstruct Correlation

<table>
<thead>
<tr>
<th></th>
<th>AVE (Breach)</th>
<th>SIC (Breach &amp; Violation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.79</td>
<td>0.82</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.78</td>
<td>0.71</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.77</td>
<td>0.83</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.76</td>
<td>0.73</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.81</td>
<td>0.82</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.77</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Another way to test discriminant validity is to set the covariance between psychological contract breach and feelings of violation to one and observe how the fit changes. Discriminant validity is demonstrated if the fit gets significantly worse with the fixed covariance (Hair et al., 2010). This test was done on the models for raises, promotions, job security, and career development. The fit of the models with the covariance set to one is almost the same as the fit when they are separate constructs. These test results indicate that the two constructs may be measuring the same thing, so another CFA was conducted with the items for psychological contract breach and feelings of violation combined into one construct. When this was done, the fit was actually reduced for all four models, contrary to expectation. Though discriminant validity is low, the analysis shows that psychological contract breach and feelings of violation are best left as separate constructs.
Nomological Validity

To check for nomological validity, the correlations between constructs are examined to see if they make sense. The correlations for each of the six models are shown in Table 16. A positive relationship between psychological contract breach and feelings of violation is hypothesized, so the positive correlation is expected. Psychological contract breaches and feelings of violation are anticipated to have a negative relationship with performance, organizational citizenship behaviors, and job satisfaction, which is evident in the negative correlations of these constructs. It also posited that psychological contract breaches and feelings of violation will have a positive relationship with deviance. The positive correlation between these constructs is in line with this prediction. Since performance, organizational citizenship behavior, and job satisfaction are all desirable outcomes, it makes sense that these constructs are positively correlated with each other. Similarly, because deviance is a damaging outcome, it follows that deviance will be negatively correlated with the positive outcomes of performance, organizational citizenship behaviors, and job satisfaction. Nomological validity is demonstrated or all models in Table 16.
### Table 16

**Confirmatory Factor Analysis Nomological Validity: Correlations by Psychological Contract Breach**

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Breach-Violation</strong></td>
<td>0.904***</td>
<td>0.843***</td>
<td>0.910***</td>
<td>0.855***</td>
<td>0.902***</td>
<td>0.884***</td>
</tr>
<tr>
<td><strong>Breach-Performance</strong></td>
<td>-0.163***</td>
<td>-0.151***</td>
<td>-0.126**</td>
<td>-0.212***</td>
<td>-0.192***</td>
<td>-0.119**</td>
</tr>
<tr>
<td><strong>Breach-OCB</strong></td>
<td>-0.309***</td>
<td>-0.332***</td>
<td>-0.368***</td>
<td>-0.343***</td>
<td>-0.348***</td>
<td>-0.388***</td>
</tr>
<tr>
<td><strong>Breach-Satisfaction</strong></td>
<td>-0.412***</td>
<td>-0.499***</td>
<td>-0.491***</td>
<td>-0.544***</td>
<td>-0.588***</td>
<td>-0.593***</td>
</tr>
<tr>
<td><strong>Breach-Deviance</strong></td>
<td>0.105**</td>
<td>0.111**</td>
<td>0.151***</td>
<td>0.138***</td>
<td>0.122**</td>
<td>0.142***</td>
</tr>
<tr>
<td><strong>Violation-Performance</strong></td>
<td>-0.173***</td>
<td>-0.178***</td>
<td>-0.142***</td>
<td>-0.288***</td>
<td>-0.231***</td>
<td>-0.206***</td>
</tr>
<tr>
<td><strong>Violation-OCB</strong></td>
<td>-0.315***</td>
<td>-0.311***</td>
<td>-0.360***</td>
<td>-0.373***</td>
<td>-0.348***</td>
<td>-0.387***</td>
</tr>
<tr>
<td><strong>Violation-Satisfaction</strong></td>
<td>-0.455***</td>
<td>-0.530***</td>
<td>-0.507***</td>
<td>-0.560***</td>
<td>-0.594***</td>
<td>-0.571***</td>
</tr>
<tr>
<td><strong>Violation-Deviance</strong></td>
<td>0.194***</td>
<td>0.148***</td>
<td>0.163***</td>
<td>0.187***</td>
<td>0.151***</td>
<td>0.161***</td>
</tr>
<tr>
<td><strong>Performance-OCB</strong></td>
<td>0.366***</td>
<td>0.366***</td>
<td>0.365***</td>
<td>0.366***</td>
<td>0.366***</td>
<td>0.366***</td>
</tr>
<tr>
<td><strong>Performance-Satisfaction</strong></td>
<td>0.077</td>
<td>0.077</td>
<td>0.078</td>
<td>0.078</td>
<td>0.077</td>
<td>0.078</td>
</tr>
<tr>
<td><strong>Performance-Deviance</strong></td>
<td>-0.297***</td>
<td>-0.297***</td>
<td>-0.297***</td>
<td>-0.297***</td>
<td>-0.297***</td>
<td>-0.297***</td>
</tr>
<tr>
<td><strong>OCB-Satisfaction</strong></td>
<td>0.494***</td>
<td>0.493***</td>
<td>0.494***</td>
<td>0.494***</td>
<td>0.494***</td>
<td>0.494***</td>
</tr>
<tr>
<td><strong>OCB-Deviance</strong></td>
<td>-0.348***</td>
<td>-0.348***</td>
<td>-0.348***</td>
<td>-0.348***</td>
<td>-0.348***</td>
<td>-0.348***</td>
</tr>
<tr>
<td><strong>Satisfaction-Deviance</strong></td>
<td>-0.165***</td>
<td>-0.165***</td>
<td>-0.165***</td>
<td>-0.165***</td>
<td>-0.165***</td>
<td>-0.165***</td>
</tr>
</tbody>
</table>

***Significant at p=0.01  
**Significant at p=0.05  
*Significant at p=0.10  

**Face Validity**

Face validity refers to the consistency of the content of the items with the definition of the construct (Hair et al., 2010). All of the psychological contract breach items refer to promises made and broken by the employer, and the items in the feelings of violation scale refer to feelings such as anger, betrayal, and frustration (Robinson & Morrison, 2000). The items from Williams and Anderson's (1991) employee performance scale pertain to the duties, responsibilities, and requirements of an employee's job. The items on the organizational citizenship behavior scale include statements about pride and loyalty (Lee & Allen, 2002). The scale for job satisfaction contains adjectives that are indicative of satisfaction (Russell et al., 2004), and twelve...
organizationally deviant acts of varying severity make up the organizational deviance scale (Bennett & Robinson, 2000). The organizational justice scale items refer to outcomes, processes, and treatment that affect employees (Ambrose & Schminke, 2009). Since the meanings of the items are consistent with the construct definitions, face validity is established.

**Structural Equations Model**

The factor loadings from the CFA were compared to the factor loadings from SEM. There were not any substantial changes between the loadings, as expected. An examination of the standardized residual covariances and the modification indices suggested a closer look at the relationships between deviance, OCB, performance, and job satisfaction may be necessary. However, the suggested additional paths are not consistent with theory and were not added to the models. The fit of the Structural Equations Models is good and meets the recommended guidelines of having RMSEA of 0.08 or below (Hair et al., 2010). Another recommendation is to have CFI of 0.92 or above (Hair et al., 2010), which is met or is very nearly met in all of the models, shown in Table 17.
Table 17

*SEM Fit Indices: Root Mean Square Error of Approximation & Comparative Fit Index*

<table>
<thead>
<tr>
<th></th>
<th>RMSEA</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.055</td>
<td>0.919</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.055</td>
<td>0.920</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.054</td>
<td>0.920</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.056</td>
<td>0.912</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.055</td>
<td>0.921</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.054</td>
<td>0.919</td>
</tr>
</tbody>
</table>

*Hypothesis 3 Results*

Descriptive statistics for the individual psychological contract breach and the associated feelings of violation are displayed in Table 18, which shows the average score for psychological contract breach and feelings of violation. Both were scored on a scale of one to five. The psychological contracts of promotion and career development have the highest score for psychological contract breach, while job security has the lowest score. Promotion and job security also had the highest and lowest feelings of violation score, respectively.
Table 18

Descriptive Statistics for Psychological Contract Breaches and Feelings of Violation

<table>
<thead>
<tr>
<th></th>
<th>Mean Breach Score (1.00-5.00)</th>
<th>Standard Deviation</th>
<th>Mean Feelings of Violation Score (1.00-5.00)</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>2.60</td>
<td>1.03</td>
<td>2.41</td>
<td>1.12</td>
</tr>
<tr>
<td>Bonus</td>
<td>2.62</td>
<td>1.00</td>
<td>2.37</td>
<td>1.09</td>
</tr>
<tr>
<td>Promotion</td>
<td>2.68</td>
<td>1.00</td>
<td>2.43</td>
<td>1.09</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>2.44</td>
<td>0.95</td>
<td>2.26</td>
<td>1.03</td>
</tr>
<tr>
<td>Job Security</td>
<td>2.41</td>
<td>1.05</td>
<td>2.24</td>
<td>1.11</td>
</tr>
<tr>
<td>Career Development</td>
<td>2.68</td>
<td>0.99</td>
<td>2.40</td>
<td>1.08</td>
</tr>
</tbody>
</table>

Hypothesis three states that there is a positive relationship between a breach in psychological contract and feelings of violation for transactional and relational psychological contract breaches. This relationship is positive and significant for all six psychological contract breaches, as seen in Table 19. Hypothesis 3a and 3b are supported.

Table 19

Psychological Contract Breach to Feelings of Violation: Expected Sign and Standardized Regression Weight

<table>
<thead>
<tr>
<th></th>
<th>Expected Sign</th>
<th>Stdz. Regression Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>+</td>
<td>0.901***</td>
</tr>
<tr>
<td>Bonus</td>
<td>+</td>
<td>0.841***</td>
</tr>
<tr>
<td>Promotion</td>
<td>+</td>
<td>0.915***</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>+</td>
<td>0.853***</td>
</tr>
<tr>
<td>Job Security</td>
<td>-</td>
<td>0.908***</td>
</tr>
<tr>
<td>Career Development</td>
<td>-</td>
<td>0.887***</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10
**Hypothesis 4 Results**

The fourth hypothesis states that the relationships between feelings of violation and employee performance (4a), OCB (4b), and job satisfaction (4c) are all negative, while the relationship between feelings of violation and organizational deviance (4d) is positive. Table 20 shows that for four of the six psychological contract breach models, the relationship between feelings of violation and employee performance are negative and significant, as predicted.

Table 21 displays the results for Hypothesis 4b. Five of the six psychological contract breach models show a significant and negative relationship between feelings of violation and organizational citizenship behavior. Hypotheses 4a and 4b are partially supported.

Table 20

*Feelings of Violation to Employee Performance: Expected Sign and Standardized Regression Weight*

<table>
<thead>
<tr>
<th>Expected Sign</th>
<th>Stdz. Regression Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>-</td>
</tr>
<tr>
<td>Bonus</td>
<td>-</td>
</tr>
<tr>
<td>Promotion</td>
<td>-</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>-</td>
</tr>
<tr>
<td>Job Security</td>
<td>-</td>
</tr>
<tr>
<td>Career Development</td>
<td>-</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10
Table 21

*Feelings of Violation to Organizational Citizenship Behaviors: Expected Sign and Standardized Regression Weight*

<table>
<thead>
<tr>
<th></th>
<th>Expected Sign</th>
<th>Stdz. Regression Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>-</td>
<td>-0.290**</td>
</tr>
<tr>
<td>Bonus</td>
<td>-</td>
<td>-0.116</td>
</tr>
<tr>
<td>Promotion</td>
<td>-</td>
<td>-0.228*</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>-</td>
<td>-0.339***</td>
</tr>
<tr>
<td>Job Security</td>
<td>-</td>
<td>-0.216*</td>
</tr>
<tr>
<td>Career Development</td>
<td>-</td>
<td>-0.225**</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

The relationship between the feelings of violation for raises, bonuses, promotions, job responsibilities, job security, career development and job satisfaction are negative and significant as predicted, in support of H4c. When feelings of violation increase, job satisfaction decreases. The results are shown in Table 22.
The relationship between feelings of violation and organizational deviance is significant and positive for four of the six psychological contract breach models, as expected. This means that as feelings of violation increase, organizational deviance significantly increases for raises, bonuses, job responsibilities, and job security. Hypothesis 4d is partially supported, and the results are displayed in Table 23.
Table 23

Feelings of Violation to Organizational Deviance: Expected Sign and Standardized Regression Weight

<table>
<thead>
<tr>
<th></th>
<th>Expected Sign</th>
<th>Stdz. Regression Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>+</td>
<td>0.570***</td>
</tr>
<tr>
<td>Bonus</td>
<td>+</td>
<td>0.199**</td>
</tr>
<tr>
<td>Promotion</td>
<td>+</td>
<td>0.209</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>+</td>
<td>0.326***</td>
</tr>
<tr>
<td>Job Security</td>
<td>+</td>
<td>0.218*</td>
</tr>
<tr>
<td>Career Development</td>
<td>+</td>
<td>0.164</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

Hypothesis 5 Results

The indirect effects and residual direct effects are used to determine whether mediation is present. The indirect effect is the product of the path from psychological contract breach to feelings of violation and feelings of violation to employee performance, for example. The residual direct effect is the path between psychological contract breach and employee performance when feelings of violation are included as a mediator (Preacher & Hayes, 2008). One way to formally test for indirect effects is to use bootstrapping to determine the significance of this effect (Preacher & Hayes, 2004). The percentile confidence intervals method of bootstrapping was used with a 90% confidence level. If the interval includes zero, it indicates that no mediation is present. It took 13 iterations for the breach of raises model, 14 for the breach of bonuses model, and 12 iterations for the rest of the models. When the indirect effect is significant and the direct effect is not, full mediation is said to have occurred. When the indirect effect and
the direct effect are both significant, partial mediation is present. The results are shown for each psychological contract breach in Tables 24, 25, 26, and 27.

Table 24

*Mediation Results for Feelings of Violation on Psychological Contract Breach & Employee Performance Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship*

<table>
<thead>
<tr>
<th></th>
<th>Indirect Effect (p-value)</th>
<th>Residual Direct Effect (Stdz. Regression Weight)</th>
<th>Residual Direct Effect (p-value)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.248</td>
<td>0.027</td>
<td>0.832</td>
<td>None</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.098</td>
<td>-0.001</td>
<td>0.989</td>
<td>Full</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.169</td>
<td>0.070</td>
<td>0.613</td>
<td>None</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.010</td>
<td>0.144</td>
<td>0.152</td>
<td>Full</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.037</td>
<td>0.086</td>
<td>0.493</td>
<td>Full</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.010</td>
<td>0.288</td>
<td>0.013</td>
<td>Partial</td>
</tr>
</tbody>
</table>

Table 25

*Mediation Results for Feelings of Violation on Psychological Contract Breach & Organizational Citizenship Behavior Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship*

<table>
<thead>
<tr>
<th></th>
<th>Indirect Effect (p-value)</th>
<th>Residual Direct Effect (Stdz. Regression Weight)</th>
<th>Residual Direct Effect (p-value)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.112</td>
<td>-0.020</td>
<td>0.866</td>
<td>None</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.236</td>
<td>-0.035</td>
<td>0.008</td>
<td>None</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.119</td>
<td>-0.136</td>
<td>0.283</td>
<td>None</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.010</td>
<td>-0.055</td>
<td>0.559</td>
<td>Full</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.089</td>
<td>-0.150</td>
<td>0.196</td>
<td>Full</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.096</td>
<td>-0.181</td>
<td>0.086</td>
<td>Partial</td>
</tr>
</tbody>
</table>
Table 26

Mediation Results for Feelings of Violation on Psychological Contract Breach & Job Satisfaction Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship

<table>
<thead>
<tr>
<th></th>
<th>Indirect Effect (p-value)</th>
<th>Residual Direct Effect (Stdz. Regression Weight)</th>
<th>Residual Direct Effect (p-value)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.010</td>
<td>0.041</td>
<td>0.722</td>
<td>Full</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.010</td>
<td>-0.193</td>
<td>0.016</td>
<td>Partial</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.010</td>
<td>-0.180</td>
<td>0.132</td>
<td>Full</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.010</td>
<td>-0.206</td>
<td>0.016</td>
<td>Partial</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.010</td>
<td>-0.252</td>
<td>0.015</td>
<td>Partial</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.085</td>
<td>-0.388</td>
<td>0.000</td>
<td>Partial</td>
</tr>
</tbody>
</table>

Table 27

Mediation Results for Feelings of Violation on Psychological Contract Breach & Organizational Deviance Relationship: Significance of Standardized Indirect Effect, Standardized Regression Weight and Significance of Residual Direct Relationship

<table>
<thead>
<tr>
<th></th>
<th>Indirect Effect (p-value)</th>
<th>Residual Direct Effect (Stdz. Regression Weight)</th>
<th>Residual Direct Effect (p-value)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>0.010</td>
<td>-0.419</td>
<td>0.001</td>
<td>Partial</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.122</td>
<td>-0.053</td>
<td>0.577</td>
<td>None</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.225</td>
<td>-0.045</td>
<td>0.744</td>
<td>None</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.010</td>
<td>-0.128</td>
<td>0.215</td>
<td>Full</td>
</tr>
<tr>
<td>Job Security</td>
<td>0.084</td>
<td>-0.047</td>
<td>0.711</td>
<td>Full</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.194</td>
<td>0.008</td>
<td>0.945</td>
<td>None</td>
</tr>
</tbody>
</table>

Hypothesis 5 predicts the relationship between psychological contract breach and employee performance (5a), OCB (5b), job satisfaction (5c), and organizational deviance (5d) will be mediated by feelings of violation. Feelings of violation fully mediate the relationship between a psychological contract breach of bonuses, job responsibilities, and job security and employee performance. Feelings of violation also partially mediate the
relationship between a psychological contract breach of career development and employee performance. Because mediation is present in four of the six psychological contract breach models, hypothesis 5a is partially supported.

Hypothesis 5b predicts that feelings of violation mediate the relationship between psychological contract breaches and organizational citizenship behavior. Feelings of violation fully mediate this relationship for job responsibilities and job security, and partially mediate this relationship for career development. Hypothesis 5b is partially supported, as feelings of violation did not mediate the relationship between any of the transactional psychological contract breaches and organizational citizenship behavior.

Feelings of violation significantly mediate the relationship between all of the psychological contract breaches and job satisfaction, in support of hypothesis 5c. Feelings of violation fully mediate the relationship for raises and promotions, while feelings of violation partially mediate the relationship for bonuses, job responsibilities, job security, and career development.

Hypothesis 5d predicts a mediating role for feelings of violation in the relationship between psychological contract breaches and organizational deviance. Feelings of violation fully mediate the relationship between a breach in job responsibilities and job security and organizational deviance. Feelings of violation partially mediate the relationship between a psychological contract breach in raises and organizational deviance. Hypothesis 5d is partially supported, as feelings of violation serve as a mediator in three of the six psychological contract breach models.
**Hypothesis 6 Results**

Organizational justice was tested as a moderator in the relationship between a psychological contract breach and feelings of violation. To do this, the sample was divided into thirds based on the average score on organizational justice scale. The bottom third was used as the low justice sample (n=164), and the highest third was used as the high justice sample (n=164). The difference in the relationship between psychological contract breach and feelings of violation for the high and low justice groups was compared using multiple group analysis. Justice has a significant moderating effect on this relationship for a breach of raises, promotions, job security, and career development. When justice is high, the relationship between a psychological contract breach and feelings of violation is reduced compared to when justice is low, as expected. The strength of the relationship between a psychological contract breach and feelings of violation is lower when high justice is present for bonuses and job responsibilities as well, though the difference is not significant, shown in Table 28.

Hypothesis 6 is partially supported.
Table 28

*Moderation Results: Difference in Unstandardized Regression Weights of Psychological Contract Breach to Feelings of Violation by Low & High Justice*

<table>
<thead>
<tr>
<th></th>
<th>Breach—Violation (Low Justice)</th>
<th>Breach—Violation (High Justice)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise</td>
<td>1.029</td>
<td>0.821</td>
<td>0.208**</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.884</td>
<td>0.880</td>
<td>0.004</td>
</tr>
<tr>
<td>Promotion</td>
<td>1.037</td>
<td>0.781</td>
<td>0.256***</td>
</tr>
<tr>
<td>Job Responsibilities</td>
<td>0.804</td>
<td>0.911</td>
<td>-0.107</td>
</tr>
<tr>
<td>Job Security</td>
<td>1.016</td>
<td>0.678</td>
<td>0.338***</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.969</td>
<td>0.718</td>
<td>0.251**</td>
</tr>
</tbody>
</table>

***Significant at p=0.01  
**Significant at p=0.05  
*Significant at p=0.10

**ANOVA**

The participants were asked to which employment status group they belonged: Voluntary Stayers/Group 1 (282 participants), Involuntary Stayers/Group 2 (84), Voluntary Leavers/Group 3 (79), and Involuntary Leavers/Group 4 (48). Hypothesis 7 states that those who have stayed with the company involuntary or left voluntarily have experienced more psychological contract breaches (H7a), more severe psychological contract breaches (H7b), and stronger feelings of violation (H7c) those who have stayed voluntarily or left involuntarily.

For H7a, frequency is calculated as the number of psychological contract breach averages that are 3.5 or over, similar to Hypothesis 1. However, for Hypothesis 7, the highest possible score for the total number of psychological contract breaches is six, versus three in Hypothesis 1. For H7b, the severity of psychological contract breaches is calculated as the average breach score from the 5-point Likert-type scale, resulting in a
range from one to five. For H7c, the severity of feelings of violation is tested using only the respondents who experienced at least one transactional and one relational psychological contract breach like H2. The feelings of violation scores associated with the breaches actually experienced were used to calculate the severity of feelings of violation. The range for severity of feelings of violation is one to 5, since the feelings of violation were scored on a 5-point Likert-type scale.

To test Hypothesis 7, three, one-way ANOVAs are conducted. The assumptions of concern are normality and homogeneity of variance. The Kolmogorov-Smirnov test of normality indicates that normality is significantly violated in all groups for the frequency of psychological contract breaches. However, the central limit theorem states that the sampling distribution tends to be normal in samples of 30 or more, regardless of the shape of the collected data (Field, 2009), and all employment status groups have at least 48 observations. Also, theory indicates that the frequency of psychological contract breaches should be much lower for Voluntary Stayers. As such, many responses are on the low end, violating a normal distribution. Because the normality is in line with the theory, these results for normality are not expected to alter interpretation of ANOVA results.

Normality is also significantly violated for the severity of psychological contract breaches, but only for Voluntary Stayers/Group 1. Again, this follows the theory that this group should experience less severe psychological contract breaches and feelings of violation. Additionally, the group of Voluntary Stayers is the largest, well above the point at which a sample is considered large enough to assume the sampling distribution is normal (Field, 2009). Normality was not violated for the severity of feelings of feelings
for any of the employment status groups. For these reasons, all ANOVA results are interpreted as usual.

Levene's test of homogeneity of variance indicates that the frequency of psychological contract breaches and the severity of psychological contract breaches for all groups are significantly violated at $p<0.05$. Homogeneity of variance is not violated for the severity of feelings of violation. Post-hoc tests that do not assume equal variances are used to test for differences between groups. Specifically, the Games-Howell post hoc test was used because it was not only designed to be used when there are unequal variances, but it is also accurate when the sample sizes are unequal, which is the case for the employment status groups (Field, 2009).

**Hypothesis 7 Results**

The ANOVA results in Table 29 suggest that there are significant ($p<0.001$) differences among the employment status groups in the frequency and severity of psychological contract breaches, but not the severity of feelings of violation ($p=0.176$).

Table 29

**ANOVA Results: Means by Employment Group**

<table>
<thead>
<tr>
<th></th>
<th>Frequency of Breach (0.00-6.00)</th>
<th>Severity of Breach (1.00-5.00)</th>
<th>Severity of Violation (1.00-5.00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Stayers</td>
<td>0.70</td>
<td>2.28</td>
<td>3.69</td>
</tr>
<tr>
<td>Involuntary Stayers</td>
<td>2.26</td>
<td>3.08</td>
<td>3.91</td>
</tr>
<tr>
<td>Voluntary Leavers</td>
<td>1.75</td>
<td>2.85</td>
<td>4.01</td>
</tr>
<tr>
<td>Involuntary Leavers</td>
<td>1.94</td>
<td>2.96</td>
<td>4.03</td>
</tr>
</tbody>
</table>
The frequency and severity of psychological contract breaches of violation for Involuntary Stayers/Group 2 are significantly different from the other groups. The rest of the differences are not significant.

Hypothesis 7a states that the frequency of psychological contract breaches will be higher for Involuntary Stayers and Voluntary Leavers. The frequency of breaches is significantly higher for Involuntary Stayers, though the frequency for Voluntary Leavers is not significantly different from Voluntary Stayers and Involuntary Leavers. Hypothesis 7a is partially supported. The severity of psychological contract breaches was predicted to be higher for Involuntary Stayers and Voluntary Leavers in Hypothesis 7b. The severity is significantly higher for Involuntary Stayers, but not for Voluntary Leavers. Hypothesis 7b is partially supported. Hypothesis 7c posits that the severity of feelings of violation is higher for Involuntary Stayers and Voluntary Leavers. There were no significant differences in the severity of feelings of violation between the employment status groups. Therefore, Hypothesis 7c is not supported.

Supplemental Analysis

Four additional ANOVAs were conducted to explore the differences in the dependent variables of employee performance, OCB, job satisfaction, and organizational deviance, by employment status group. Normality and homogeneity of variance were also assessed for the supplementary tests. Normality and homogeneity of variance of the employment status groups by dependent variable were very similar to the results for Hypothesis 7. Normality is violated, but again, the smallest group has 48 participants, which is considered a sufficiently large sample to assume a normal distribution according to the central limit theorem (Field, 2009). The assumption of homogeneity of variance is
also violated, so the Games-Howell post hoc test for differences was used since it works for samples with unequal variance and for unequal group sizes (Field, 2009).

The ANOVAs revealed that there are significant differences among the employment status groups (Voluntary Stayers, Involuntary Stayers, Voluntary Leavers, and Involuntary Leavers) for organizational citizenship behavior (p=0.000) and job satisfaction (p=0.000), but not for employee performance or organizational deviance. The results for OCB and job satisfaction can be seen in Table 30. Organizational citizenship behavior was measured on a scale of one to seven, and job satisfaction was measured on a scale of zero to three. Voluntary Stayers have significantly higher OCB and job satisfaction than Involuntary Stayers, Voluntary Leavers, and Involuntary Leavers. While it is interesting to note that employees who left the company had significantly lower organizational citizenship behavior and job satisfaction, the results for Involuntary Stayers should be of great interest to those in industry. These are the employees that are still with the organization, even though they do not want to be. Their low organizational citizenship behaviors and job satisfaction can negatively affect the success of a merger or acquisition.

Table 30

<table>
<thead>
<tr>
<th>Employment Group Status</th>
<th>OCB</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Stayers</td>
<td>5.200</td>
<td>2.362</td>
</tr>
<tr>
<td>Involuntary Stayers</td>
<td>4.252</td>
<td>0.950</td>
</tr>
<tr>
<td>Voluntary Leavers</td>
<td>4.217</td>
<td>1.390</td>
</tr>
<tr>
<td>Involuntary Leavers</td>
<td>4.281</td>
<td>0.932</td>
</tr>
</tbody>
</table>
CHAPTER 5

CONCLUSION

Summary of Findings

The results show that during mergers and acquisitions, more transactional psychological contract breaches are perceived by employees than relational psychological contract breaches, as expected. Contrary to the hypothesis based on a theory proposed by Morrison and Robinson (1997), the severity of feelings of violation from relational psychological contract breaches was not worse than the severity feelings of violation of transactional psychological contract breaches. Although the feelings of violation from relational psychological contract breaches are less severe, they play more of a mediating role in the severity of the outcomes (employee performance, organizational citizenship behavior, job satisfaction, and organizational deviance). In summary, participants perceived transactional breaches more often and more severely than relational breaches.

Breaches of both transactional and relational psychological contracts lead to feelings of violation, which then affect employee performance, organizational citizenship behavior, job satisfaction, and organizational deviance. Feelings of violation mediate the relationship between the psychological contract breaches of bonuses, job responsibilities, job security, and career development and employee performance. Feelings of violation also mediate the relationship between the breaches of job responsibilities, job security, and career development, and organizational citizenship behavior. The relationship
between psychological contract breaches of raises, bonuses, promotions, job responsibilities, job security, and career development and job satisfaction is mediated by feelings of violation. Similarly, feelings of violation also mediate the relationship between the breaches of raises, job responsibilities, and job security and organizational deviance. Feelings of violation do play a role in how severe the effects of psychological contract breaches are on employee performance, organizational citizenship behavior, job satisfaction, and organizational deviance. Organizational justice was shown to reduce the feelings of violation associated with a psychological contract breach of raises, promotions, job security, and career development. However, organizational justice did not significantly mitigate the feelings of violation from a breach of bonuses or job responsibilities.

Employees who stayed with the organization involuntarily and those who left the organization voluntarily, perceived psychological contract breaches more frequently and more severely than those who remained with the organization voluntarily. The Involuntary Stayers and Voluntary Leavers also experienced more severe feelings of violation than Voluntary Stayers. Involuntary Leavers did not experience significantly less frequent breaches, less severe breaches, or less severe feelings of violation, as expected. Table 31 summarizes the results. Additional analyses show that organizational citizenship behavior and job satisfaction are significantly higher for Voluntary Stayers than Involuntary Stayers, Voluntary Leavers, and Involuntary Leavers.
Table 31

*Hypothesis Results Summary*

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1: More transactional than relational breaches</strong>&lt;br&gt;Table 10</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H2: More severe feelings of violation from relational than transactional breaches</strong></td>
<td>Not Supported</td>
</tr>
<tr>
<td><strong>H3a: Positive relationship between transactional breach and feelings of violation (Table 20)</strong>&lt;br&gt;Raise&lt;br&gt;Bonus&lt;br&gt;Promotion</td>
<td>Supported&lt;br&gt;Supported&lt;br&gt;Supported</td>
</tr>
<tr>
<td><strong>H3b: Positive relationship between relational breach and feelings of violation (Table 20)</strong>&lt;br&gt;Job Responsibilities&lt;br&gt;Job Security&lt;br&gt;Career Development</td>
<td>Supported&lt;br&gt;Supported&lt;br&gt;Supported</td>
</tr>
<tr>
<td><strong>H4a: Negative relationship between feelings of violation and performance (Table 20)</strong>&lt;br&gt;Raise (Transactional)&lt;br&gt;Bonus (Transactional)&lt;br&gt;Promotion (Transactional)</td>
<td>Not Supported&lt;br&gt;Supported&lt;br&gt;Not Supported</td>
</tr>
<tr>
<td>Job Responsibilities (Relational)&lt;br&gt;Job Security (Relational)&lt;br&gt;Career Development (Relational)</td>
<td>Supported&lt;br&gt;Supported&lt;br&gt;Supported</td>
</tr>
<tr>
<td><strong>H4b: Negative relationship between feelings of violation and OCB (Table 21)</strong>&lt;br&gt;Raise (Transactional)&lt;br&gt;Bonus (Transactional)&lt;br&gt;Promotion (Transactional)&lt;br&gt;Job Responsibilities (Relational)&lt;br&gt;Job Security (Relational)&lt;br&gt;Career Development (Relational)</td>
<td>Supported&lt;br&gt;Not Supported&lt;br&gt;Supported&lt;br&gt;Supported&lt;br&gt;Supported&lt;br&gt;Supported</td>
</tr>
<tr>
<td><strong>H4c: Negative relationship between feelings of violation and job satisfaction (Table 22)</strong>&lt;br&gt;Raise (Transactional)&lt;br&gt;Bonus (Transactional)&lt;br&gt;Promotion (Transactional)&lt;br&gt;Job Responsibilities (Relational)&lt;br&gt;Job Security (Relational)&lt;br&gt;Career Development (Relational)</td>
<td>Supported&lt;br&gt;Supported&lt;br&gt;Supported&lt;br&gt;Supported&lt;br&gt;Supported&lt;br&gt;Supported</td>
</tr>
<tr>
<td><strong>H4d: Positive relationship between feelings of violation and deviance shown in Table 23</strong></td>
<td>Supported</td>
</tr>
</tbody>
</table>
Table 31 (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Supported</th>
<th>Not Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Bonus (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Promotion (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Job Responsibilities (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Security (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Career Development (Relational)</td>
<td>Not Supported</td>
<td></td>
</tr>
</tbody>
</table>

**H5a: Feelings of violation mediates relationship between breach and performance (Table 24)**

<table>
<thead>
<tr>
<th></th>
<th>Supported</th>
<th>Not Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Bonus (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Promotion (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Job Responsibilities (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Security (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Career Development (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
</tbody>
</table>

**H5b: Feelings of violation mediates relationship between breach and OCB (Table 25)**

<table>
<thead>
<tr>
<th></th>
<th>Supported</th>
<th>Not Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Bonus (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Promotion (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Job Responsibilities (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Security (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Career Development (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
</tbody>
</table>

**H5c: Feelings of violation mediates relationship between breach and job satisfaction (Table 26)**

<table>
<thead>
<tr>
<th></th>
<th>Supported</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Bonus (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Promotion (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Responsibilities (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Security (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Career Development (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
</tbody>
</table>

**H5d: Feelings of violation mediates relationship between breach and deviance (Table 27)**

<table>
<thead>
<tr>
<th></th>
<th>Supported</th>
<th>Not Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise (Transactional)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Bonus (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Promotion (Transactional)</td>
<td>Not Supported</td>
<td></td>
</tr>
<tr>
<td>Job Responsibilities (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Job Security (Relational)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>Career Development (Relational)</td>
<td>Not Supported</td>
<td></td>
</tr>
</tbody>
</table>
Table 31 (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6: Justice moderates relationship between breach and feelings of violation (Table 28)</td>
<td>Supported</td>
<td>Not Supported</td>
<td>Supported</td>
<td>Not Supported</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H7a: More breaches for VL and IS than IL and VS (Table 29)</td>
<td>Partially Supported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H7b: More severe breaches for VL and IS than IL and VS (Table 29)</td>
<td>Partially Supported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H7c: More severe violation for VL and IS than IL and VS (Table 29)</td>
<td>Not Supported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Implications of the Findings**

The findings suggest that employees perceive breaches in the psychological contract pertaining to raises, bonuses, and promotions more frequently than job responsibilities, job security, and career development. Not only do the employees perceive these breaches more often, but the feelings of violation are more severe. The results suggest that these elements matter more to employees. This information is useful to organizations going through a merger or acquisition. While change is inevitable during M&As, employers should make it a higher priority to honor the transactional elements of the employees’ jobs, versus the more relational aspects of the job.

Psychological contract breaches lead to feelings of violation, which then leads to reduced employee performance, organizational citizenship behaviors, job satisfaction, and increased organizational deviance. Feelings of violation from a psychological
contract breach of pay raises significantly effects, in descending order, organizational deviance, job satisfaction, organizational citizenship behaviors, then employee performance. A summary of the SEM results can be seen in Table 32.

Table 32

Summary of Standardized Regression Weights by Psychological Contract Breach

<table>
<thead>
<tr>
<th></th>
<th>Raise</th>
<th>Bonus</th>
<th>Promotion</th>
<th>Job Responsibilities</th>
<th>Job Security</th>
<th>Career Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violation-Performance</td>
<td>-0.204</td>
<td>-0.185*</td>
<td>-0.210</td>
<td>-0.429***</td>
<td>-0.322***</td>
<td>-0.465***</td>
</tr>
<tr>
<td>Violation-OCB</td>
<td>-0.290**</td>
<td>-0.116</td>
<td>-0.228*</td>
<td>-0.339***</td>
<td>-0.216*</td>
<td>-0.225**</td>
</tr>
<tr>
<td>Violation-Satisfaction</td>
<td>-0.497***</td>
<td>-0.364***</td>
<td>-0.343***</td>
<td>-0.388***</td>
<td>-0.358***</td>
<td>-0.225**</td>
</tr>
<tr>
<td>Violation-Deviance</td>
<td>0.570***</td>
<td>0.199**</td>
<td>0.209</td>
<td>0.326***</td>
<td>0.218*</td>
<td>0.164</td>
</tr>
</tbody>
</table>

***Significant at p=0.01
**Significant at p=0.05
*Significant at p=0.10

A formal test was conducted to determine if these size effects are significantly different from each other, and the results from the size effect tests can be seen in Table 33.

For raises, feelings of violation most affect organizational deviance (0.570), followed by job satisfaction (-0.497), organizational citizenship behavior (0.290), and employee performance (-0.204). The results in Table 34 show that even though the effect of feelings of violation on organizational citizenship behavior (-0.290) is larger than the effect on employee performance (-0.024), this difference is not significant. However, all other size differences are significant for raises.

The results vary among the different psychological contract breaches. For example, feelings of violation from a breach in the psychological contract pertaining to job responsibilities has significant effects, in descending order, on employee performance (-0.429), job satisfaction (-0.388), organizational citizenship behavior (-0.339), then...
organizational deviance (0.326). As seen in Table 33, the difference between employee performance, job satisfaction, and OCB are not significantly different from each other. However, the effects of organizational deviance are significantly different (lower) than employee performance, job satisfaction, and OCB. It is important to remember that all of the effects from feelings of violation associated with a psychological contract breach in job responsibilities are statistically significant, but they are not significantly different from each other. Models for raises and job responsibilities can be seen in Figure 3 and Figure 4. The results for the other psychological contract breaches can be seen in Table 33.

The size effects are unique to each psychological contract breach, which provides evidence that each psychological contract breach should be considered separately and that combining them into an overall psychological contract would lead to a loss of information.

Figure 3 SEM Model for a Psychological Contract Breach of Raises
The mediating role of feelings of violation suggests that performance, OCBs, job satisfaction, and deviance are impacted more by employees who experience stronger feelings of violation. Feelings of violation mediate the relationship between relational psychological contract breaches more often than transactional psychological contract breaches. This is unsurprising since employees are likely to be more emotionally invested in relational psychological contracts, while transactional psychological contracts
are more objective. The moderating role of organizational justice suggests that companies that want to reduce the effects of feelings of violation experienced by their employees should attempt to make the outcome of decisions, the decision-making process itself, and the communication of such decisions to be perceived as fairly as possible by employees.

The results also reveal that employees who remain with the organization voluntarily perceive psychological contract breaches less frequently and less severely. They also experience weaker feelings of violation than employees who stay with the organization involuntarily or who leave the company, whether the decision is voluntary or involuntary. While companies may not be as concerned about the effects of employees who leave the organization on a merger and acquisition, there are many employees who stay with the organization because they feel they have no other choice (about 17% in this study). This group of employees should not be ignored, as they are more likely to perceive psychological contract breaches and feelings of violation. Also, additional analysis showed that Involuntary Stayers, along with Involuntary and Voluntary Leavers, report significantly lower organizational citizenship behavior and job satisfaction. This should be of great interest to companies since these employees are in a position to negatively affect the company during a merger or acquisition.

Limitations of the Research

Since anyone over 18 can sign up for Amazon’s Mechanical Turk, it was necessary to use several techniques to ensure quality data. Each respondent was required to have a 97% accuracy rating, meaning that they have successfully completed 97% of
the Human Intelligence Tasks (HITs) attempted. They were also required to have completed at least 50 HITs and have a registered address in the United States.

A possible concern of self-reported data is social desirability bias. Social desirability is "a need for social approval and acceptance and the belief that this can be attained by means of culturally acceptable and appropriate behaviors" (Marlowe and Crowne 1964, 109). If a respondent in this study made themselves appear more socially desirable, it would bias the data against the hypotheses. Therefore, based on the results, social desirability should not be a concern in the present study.

A limitation of this study is the low discriminant validity between psychological contract breach and feelings of violation. When these two constructs are combined into one construct, the fit is reduced. While better discriminant validity would be ideal, the best choice for this study is to leave them as separate constructs.

**Contributions of the Research**

This study adds to the limited research in accounting on psychological contracts, despite their prominence in the workplace. Smith (1993), Martin (1995), Schofield (1996), Mac Rory (1999), Bruce (2001), and Classe (2004) urge practitioners to realize the importance of employees' psychological contracts. Bruce (2001) and Classe (2004) comment on the significance of psychological contracts during mergers and acquisitions. This study empirically tests the comments made by Bruce (2001) and Classe (2004). This study also adds to prior research by including feelings of violation as a mediator, which has not been done in a merger and acquisition setting. Also, organizational justice is used as a moderator in the relationship between psychological contract breaches and
feelings of violation, which is another new application in the merger and acquisition setting.

Contrary to prior studies that used samples from one or a few companies that experienced mergers and acquisitions, this study utilizes an online survey. This is advantageous as it allows for respondents from a wide variety of companies and industries to be included in the sample, increasing external validity. Information about employees who remain with the organization because they feel they have no other choice is of importance to employers since they are in a position to negatively affect the company. An online survey offers more anonymity for Involuntary Stayers to provide honest responses than previous studies that use face-to-face interviews or surveys associated with a particular employer. This data collection method also allows for employees who are no longer with the organization to be included in the sample.

Suggestions for Future Research

Downsizing is often a major part of mergers and acquisitions. However, many companies experience downsizing separately from a merger or acquisition. The organizational changes involved in both situations are similar, but the reactions from employees may differ. Future research can examine the similarities and differences in psychological contract breaches and outcomes between companies who have merged or been acquired and companies who have downsized.

In this research, the participants indicate their employment status from staying or leaving, voluntarily or involuntarily. An extension of the current study is to investigate the differences in effects on employee performance, organizational citizenship behavior, job satisfaction, and organizational deviance for voluntary and involuntary stayers and
leavers. Further research can include other considerations of employment status, such as how attached employees are to their job. Another consideration is why employees choose to leave their job and what pressures they may face to leave the organization.
REFERENCES


Bruce, R. (2001). If It Ain’t Broke... (But It Is). *Accountancy, 127*(1292), 40.


Mac Rory, S. (1999). Let's make this a great place to work! Accountancy Ireland, 31(6), 28–29.


APPENDIX A

BASIC STATISTICS
### Basic Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D.</th>
<th>Theoretical Range</th>
<th>Actual Minimum</th>
<th>Actual Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breach-Raise</td>
<td>2.60</td>
<td>1.03</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Breach-Bonus</td>
<td>2.62</td>
<td>1.00</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Breach-Promotion</td>
<td>2.68</td>
<td>1.00</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Breach-Job Responsibilities</td>
<td>2.44</td>
<td>0.95</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Breach-Job Security</td>
<td>2.41</td>
<td>1.05</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Breach-Career Development</td>
<td>2.68</td>
<td>0.99</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Raise</td>
<td>2.41</td>
<td>1.12</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Bonus</td>
<td>2.37</td>
<td>1.09</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Promotion</td>
<td>2.43</td>
<td>1.09</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Job Responsibilities</td>
<td>2.26</td>
<td>1.03</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Job Security</td>
<td>2.24</td>
<td>1.11</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Violation-Career Development</td>
<td>2.40</td>
<td>1.08</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Performance</td>
<td>4.34</td>
<td>0.58</td>
<td>1.00-5.00</td>
<td>2.17</td>
<td>5.00</td>
</tr>
<tr>
<td>OCB</td>
<td>4.79</td>
<td>1.23</td>
<td>1.00-7.00</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>1.83</td>
<td>1.13</td>
<td>0.00-3.00</td>
<td>0.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Organizational Deviance</td>
<td>2.31</td>
<td>1.17</td>
<td>1.00-7.00</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Organizational Justice</td>
<td>3.49</td>
<td>0.97</td>
<td>1.00-5.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>
Psychological Contract Breach (Robinson and Morrison 2000)

5-point scale (1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, 5=Strongly Agree)

1.) Almost all of the promises about [psychological contract breach] made by my employer during recruitment have been kept so far. (reverse scored)

2.) I feel that my employer has come through in fulfilling the promises about [psychological contract breach] made to me when I was hired. (reverse scored)

3.) So far my employer has done an excellent job of fulfilling their promises about [psychological contract breach]. (reverse scored)

4.) I have not received everything promised to me about [psychological contract breach] in exchange for my contributions.

5.) My employer has broken many of its promises to me about [psychological contract breach] even though I’ve upheld my side of the deal.

Feelings of Violation (Robinson and Morrison 2000)

5-point scale (1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, 5=Strongly Agree)

1.) I feel a great deal of anger toward my organization over [psychological contract breach].

2.) I feel betrayed by my organization with regard to [psychological contract breach].

3.) I feel that my organization has violated the contract about [psychological contract breach] between us.

4.) I feel extremely frustrated by how I have been treated by my organization relating to [psychological contract breach].

Employee Performance (Williams and Anderson 1991)

5-point scale (1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, 5=Strongly Agree)

1.) I adequately complete all of my assigned duties.

2.) I fulfill all the responsibilities specified in my job description.

3.) I perform the tasks that are expected of me.
4.) I meet the formal performance requirements of my job.

5.) I engage in activities that will directly affect my performance evaluation. (dropped)

6.) I neglect aspects of the job that I am obligated to perform. (reverse scored)

7.) I fail to perform essential duties of my job. (reverse scored)

**Organizational Citizenship Behaviors (Lee and Allen 2002)**

7-point scale (1=Strongly Disagree, 2=Disagree, 3=Slightly Disagree, 4=Neither Agree nor Disagree, 5=Slightly Agree, 6=Agree, 7=Strongly Agree)

1.) I attend functions that are not required but that help the organizational image.

2.) I keep up with developments in this organization.

3.) I defend the organization when other employees criticize it.

4.) I show pride when representing the organization in public.

5.) I offer ideas to improve the functioning of the organization.

6.) I express loyalty toward the organization.

7.) I take action to protect the organization from potential problems.

8.) I demonstrate concern about the image of the organization

**Job Satisfaction (Russell et al. 2004)**

3-point scale (0=No, 1=?, 3=Yes)

Indicate whether the following adjectives and short phrases describe(d) your job during the merger or acquisition.

1.) Good

2.) Undesirable (reverse scored)

3.) Better than most

4.) Disagreeable (reverse scored)

5.) Makes me content

6.) Excellent
7.) Enjoyable

8.) Poor (reverse scored)

Organizational Deviance (Bennett and Robinson 2000)

7-point scale (1=Never, 2=Once a year, 3=Twice a year, 4=Several times a year, 5=Monthly, 6=Weekly, 7=Daily)
Indicate how often you did/do the following activities during the merger or acquisition.

1.) Taken property from work without permission. (dropped)

2.) Spent too much time fantasizing or daydreaming instead of working.

3.) Falsified a receipt to get reimbursed for more money than you spent on business expenses. (dropped)

4.) Taken an additional or longer break than is acceptable at your workplace.

5.) Come in late to work without permission.

6.) Littered your work environment. (dropped)

7.) Neglected to follow your boss’s instructions.

8.) Intentionally worked slower than you could have worked.

9.) Discussed confidential company information with an unauthorized person. (dropped)

10.) Used an illegal drug or consumed alcohol on the job. (dropped)

11.) Put little effort into your work.

12.) Dragged out work in order to get overtime.

Organizational Justice (Ambrose and Schminke 2009)

5-point scale (1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, 5=Strongly Agree)

1.) Overall, I’m treated fairly by my organization.

2.) Usually, the way things work in this organization are not fair. (reverse scored)

3.) In general, I can count on my organization to be fair.
4.) In general, the treatment I receive around here is fair.

5.) For the most part, this organization treats its employees fairly.

6.) Most of the people who work here would say they are often treated unfairly. (reverse scored)
APPENDIX C

MEASUREMENT SCALE ITEM CORRELATIONS
### Psychological Contract Breach Item Correlations

| Braise1 | Braise2 | Braise3 | Braise4 | Braise5 | Bbonus1 | Bbonus2 | Bbonus3 | Bbonus4 | Bbonus5 | Bpromo1 | Bpromo2 | Bpromo3 | Bpromo4 | Bpromo5 | Bresp1 | Bresp2 | Bresp3 | Bresp4 | Bresp5 | Bsec1 | Bsec2 | Bsec3 | Bsec4 | Bsec5 | Bdev1 | Bdev2 | Bdev3 | Bdev4 | Bdev5 |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1       | .90**   | .88**   | .68**   | .76**   | .47**   | .50**   | .49**   | .41**   | .45**   | .52**   | .51**   | .51**   | .37**   | .37**   | .33**   | .35**   | .35**   | .36**   | .37**   | .35**   | .35**   | .35**   | .36**   | .35**   | .35**   | .35**   | .35**   | .35**   | .35**   | .35**   |
|         | 1       | .90**   | .88**   | .70**   | .47**   | .48**   | .50**   | .49**   | .40**   | .42**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |
|         |         | 1       | .90**   | .88**   | .47**   | .48**   | .49**   | .40**   | .39**   | .40**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |
|         |         |         | 1       | .90**   | .47**   | .48**   | .49**   | .39**   | .39**   | .39**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |
|         |         |         |         | 1       | .47**   | .48**   | .49**   | .39**   | .39**   | .39**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |
|         |         |         |         |         | 1       | .47**   | .48**   | .49**   | .39**   | .39**   | .39**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |
|         |         |         |         |         |         | 1       | .47**   | .48**   | .49**   | .39**   | .39**   | .39**   | .46**   | .46**   | .43**   | .44**   | .40**   | .40**   | .40**   | .40**   | .39**   | .40**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   | .39**   |

** Significant at the 0.01 level (2-tailed).
* Significant at the 0.05 level (2-tailed).

- Braise = Psychological Contract Breach in Raises
- Bbonus = Psychological Contract Breach in Bonuses
- Bresp = Psychological Contract Breach in Job Responsibilities
- Bpromo = Psychological Contract Breach in Promotions
- Bsec = Psychological Contract Breach in Job Security
- Bdev = Psychological Contract Breach in Deviance
|       | perf1 | perf2 | perf3 | perf4 | perf5 | perf6 | perf7 | OCB1 | OCB2 | OCB3 | OCB4 | OCB5 | OCB6 | OCB7 | OCB8 | OCB9 | sat1 | sat2 | sat3 | sat4 | sat5 | sat6 | sat7 | dev1 | dev2 | dev3 | dev4 | dev5 | dev6 | dev7 | dev8 | dev9 | dev10 | dev11 | dev12 |
|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|       | 1     | 68**  | 65**  | 62**  | 21**  | 57**  | 45**  | 14** | 32** | 13** | 23** | 30** | 25** | 28** | 33** | 23** | 06** | 06** | 05** | 02** | 07** | 08** | 03** | 05** | 08** | 01** | 17** | 20** |
|       |       |       |       |       |       |       |       |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| **    | Significant at the 0.01 level (2-tailed). | Perf = Employee Performance | Sat = Job Satisfaction |
| *     | Significant at the 0.05 level (2-tailed). | OCB = Organizational Citizenship Behavior | Dev = Organizational Deviance |
APPENDIX D

HUMAN USE APPROVAL FORM
TO: Ms. Kristine Murphy and Dr. Stammerjohan
FROM: Barbara Talbot, University Research
SUBJECT: HUMAN USE COMMITTEE REVIEW
DATE: December 18, 2013

In order to facilitate your project, an EXPEDITED REVIEW has been done for your proposed study entitled:

"An Analysis of Employee Expectations in Mergers & Acquisitions"

HUC 1140

The proposed study’s revised procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Informed consent is a critical part of the research process. The subjects must be informed that their participation is voluntary. It is important that consent materials be presented in a language understandable to every participant. If you have participants in your study whose first language is not English, be sure that informed consent materials are adequately explained or translated. Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

Projects should be renewed annually. This approval was finalized on December 17, 2013, and this project will need to receive a continuation review by the IRB if the project, including data analysis, continues beyond November 17, 2014. Any discrepancies in procedure or changes that have been made including approved changes should be noted in the review application. Projects involving NIH funds require annual education training to be documented. For more information regarding this, contact the Office of University Research.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study. If changes occur in recruiting of subjects, informed consent process or in your research protocol, or if unanticipated problems should arise it is the Researchers responsibility to notify the Office of Research or IRB in writing. The project should be discontinued until modifications can be reviewed and approved.

If you have any questions, please contact Dr. Mary Livingston at 257-2292 or 257-5066.