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A Social Exchange Model of Psychological Contract Fulfillment: Where Do Promises, Expectations, LMX, and POS Fit In?

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Abstract

We investigated psychological contract (PC) fulfillment using the three building blocks of the social exchange theory: content of the exchange, parties to the exchange, and the process of the exchange. Results from two studies demonstrate that PC fulfillment is related to different outcomes depending on fulfillment conceptualized in terms of promises as opposed to expectations. Expectations fulfillment is a stronger predictor of affective commitment, whereas promises fulfillment is a stronger predictor of turnover. Additionally, we tested hypotheses to examine the multisource effects of PC fulfillment. PC fulfillment by the supervisor and by the organization highlighted the relationship between PC fulfillment, leader–member exchange (LMX), and perceived organizational support (POS). Findings suggest that expectations fulfillment results in higher LMX when the source of fulfillment is perceived to be the manager and expectations fulfillment is related to higher POS when the organization is deemed as the source of PC fulfillment. The results were not significant for promises fulfillment.

Keywords

psychological contract fulfillment; expectations; turnover; LMX; POS

Over the past few decades, many academics and practitioners have embraced psychological contract theory as a dominant framework for understanding the exchange relationship between an employee and an organization (Rousseau, 1995; Rousseau & Tijoriwala, 1998; Taylor & Tekleab, 2004). The functional side of the exchange relationship is captured by the construct of PC fulfillment, defined as employee perceptions regarding the extent to which the organization has delivered on what was promised (Rousseau & Tijoriwala, 1998). Research is emerging that provides evidence of PC fulfillment as a determinant of outcomes related to organizational effectiveness (e.g., in-role and extra-role behaviors; Turnley, Bolino, Lester, & Bloodgood, 2003) as well as the role of context in shaping PC fulfillment perceptions (e.g., Chaudhry, Coyle-Shapiro, & Wayne, 2011; Ho, 2005).

PC fulfillment draws upon social exchange theory as its theoretical basis. PC researchers often cite the works of Blau (1964) and Gouldner (1960) to explain the reciprocal exchange relationship between the employee and the organization. According to Blau, individuals engage in a relationship to receive valued benefits. Receiving these benefits serves as a starting mechanism for the relationship, as it leads to increased willingness to supply resources that the other party desires. This iterative reciprocation strengthens the exchange relationship (Coyle-Shapiro & Kessler, 2002; Gouldner, 1960). Three aspects of social exchange are relevant in the context of employment relationships: the content of the exchange, the parties to the exchange, and the process underlying the exchange (Coyle-Shapiro & Conway, 2004). The content aspect of the exchange focuses on what is provided by the organization that engenders reciprocation by the employee. The parties to the social exchange include the employee and the organizational agents (e.g., manager) that provide the resources anticipated by the employee. The process aspect refers to the mechanism through which the employee reciprocates toward those agents. The content (what is exchanged), the parties (who are the parties involved), and the process (how the exchange occurs) have been called the building blocks of social exchange-based research on employment relationship, yet systematic theorizing and empirical research are scant. In this article, we examine employee beliefs regarding the content of the PC fulfillment, the parties responsible for PC fulfillment, and the process underlying the PC fulfillment.

The terms of the exchange agreement between individuals and their organization are said to be comprised of promises that have been made between the employee and the organization, binding them to a set of reciprocal obligations. Research has emerged that questions the centrality of promises in the PC framework (Aselage & Eisenberger, 2003; Coyle-Shapiro & Kessler, 2000; Guest, 1998; Montes & Zweig, 2009; Shore et al., 2004; Taylor & Tekleab, 2004). It has been suggested that the employment relationship is not defined by beliefs regarding promises alone (Guest, 1998). Some have argued that understanding the reciprocal exchange relationship between the employee and the employer requires a focus on what is delivered, rather than on what is promised (Aselage & Eisenberger, 2003; Montes & Zweig, 2009). Some wonder “where expectations end and obligations begin in the minds of employee” (Coyle-Shapiro & Kessler, 2000, p. 906). However, there is agreement that this distinction is not only a matter of theoretical debate, but an issue to be resolved empirically (Aselage & Eisenberger, 2003; Shore et al., 2004; Taylor & Tekleab, 2004). In order to treat PC as a framework for understanding the exchange relationship between the employee and the organization, it is important to study whether employee beliefs regarding the reciprocal exchanges are shaped by what has been promised by the organization or by what is expected by the employee. The current study examines this line of inquiry by focusing on whether employee responses differ when promises versus expectations are fulfilled. We distinguish promises and expectations associated with PC fulfillment as follows: PC fulfillment based on promises (hereafter referred to as promises fulfillment) focuses on the extent to which the organization is providing what it promised to the employee, while PC fulfillment based on expectations (hereafter referred to as expectations fulfillment) focuses on fulfillment of valued resources based not on what the organization promises but on what the employee expects to receive in return for what the employee provides. We examine the effects of promises fulfillment and expectations fulfillment on two outcomes: employee affective commitment, defined as the degree or the strength of an individual’s identification with and involvement in an organization (Meyer, Allen, & Smith, 1993), and employee turnover.

The second objective of the study is to examine employee perceptions of parties involved in the exchange relationship. According to PC theory, organizations have multiple agents that play a role in shaping as well as fulfilling employee desires in an employment relationship (Cole, Schaninger, & Harris, 2002; Shore et al., 2004). For instance, organizational policies regarding college tuition may result in

employee beliefs that the organization is responsible for fulfilling employee psychological contracts related to tuition reimbursement. Thus, fruition of desired benefits can be viewed as emanating from policies and procedures initiated by the organization (e.g., human resources practices; Guzzo & Noonan, 1994; Rousseau, 1995). Another agent of the organization is an employee's immediate manager, who is viewed as responsible for meeting many of the employee's expectations regarding work assignments, promotions, and so on. However, PC research has not explored the effects of fulfillment attributed to various organizational agents (Rousseau & Tijoriwala, 1998). Such an omission implies that we do not know whether in the mind of the employee, the content of the exchange relationship obligates a particular agent (e.g., manager), the organization, or both. The current study explores two sources of fulfillment: the manager and the organization.

The third objective of the study is to examine the underlying mechanism associated with employee responses to PC fulfillment. The current study examines the effects of source of fulfillment on two social exchange constructs: leader–member exchange (LMX) and perceived organizational support (POS). LMX is concerned with the quality of the interpersonal relationship that evolves between the employee and his or her immediate manager within a formal organization (Liden & Maslyn, 1998). POS is understood as the global beliefs of employees regarding the extent to which they feel that their organization values their contributions and cares about their well-being (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). The current study explores whether employee responses differ depending on whether PC fulfillment is perceived as coming from the manager or from the organization. Additionally, we investigate whether the multisource effects of PC fulfillment hold for promises as well as expectations.

This study is limited in its focus, as it examines only the employee perspective of the exchange relationship with the organization. Furthermore, the line of enquiry related to the content of the exchange explores definitional issues related to psychological contract theory. Such an examination of definitional issues can only be viewed as exploratory in nature and therefore requires rigorous testing to establish generalizability of the results. Finally, the multisource argument examined in this study is limited by inherent weaknesses associated with the use of cross-sectional and single-source data. Despite this cautionary note, a test of the hypothesized model makes contributions to PC theory in several ways. First, it addresses the call for research to examine whether the focus on promises fulfilled as the basis of employee attitudes and behaviors is necessary or whether this is creating an overly narrow framework for studying employee beliefs regarding the resources received and reciprocated. Furthermore, this research examines how fruition of benefits from multiple agents of the organization impact relationships with those parties. Although multiple sources of fulfillment have been theorized, PC studies have rarely empirically examined the role of different sources of PC fulfillment on key exchange relationships in the workplace (Rousseau & Tijoriwala, 1998). Thus, the second contribution of the study lies in bringing clarity to the relationship between resources exchanged as exemplified by PC fulfillment and the quality of the key exchange relationships in the workplace, and thus expanding our understanding of attributions in the context of psychological contracts.

The current study also contributes to practice. Voluntary withdrawal by employees has the potential to disrupt organizational functioning significantly (Griffeth, Hom, & Gaertner, 2000). One of the ways an organization attempts to stem employee turnover is by fulfilling employees' psychological contracts. The current study investigates the effects of fulfillment of promises as well as expectations on employee turnover and thus provides guidance to managers in terms of identifying factors that influence employees' turnover behavior in the context of psychological contracts. It also has implications for the

role managers could play to identify resources employees value and use them to motivate and, most importantly, retain a talented work force.

The article presents two studies to test the hypothesized relationships. A multiple-study approach is recommended when exploring definitional issues related to a construct (Colquitt, 2001; Liden & Maslyn, 1998), as it enables testing of the key hypotheses using separate samples and thus addresses the issue of generalizability. In addition, it helps to establish predictive validity by examining different outcome variables. A discussion section presents implications for theory and practice. We discuss strengths and weaknesses of our research, as well as future research directions. Figure 1 provides an illustration of the hypothesized model presented and empirically tested in this article.

STUDY 1

The primary objective of this research study was to investigate the content of the exchange relationship as characterized by PC. The central tenet of the PC construct is that employee beliefs are based not on employee expectations but rather on promises an organization has made to the employee. Making a case for promises as the definitional basis of PC, Rousseau and Tijoriwala (1998) argue that only promises are important since other types of expectations tap into either descriptive beliefs (e.g., my organization is very supportive of its employees) or causal reasoning beliefs (e.g., working hard leads to career success). Proponents of the promise-based PC framework also draw support from the results of two studies that found promises (authors use the term “obligations”) to be better predictors of employee attitudinal and behavioral outcomes than expectations (Robinson, 1996; Turnley & Feldman, 2000). However, as Taylor and Tekleab (2004) note, the items measuring obligations were greater in number and higher in specificity as compared to the items assessing expectations. Furthermore, both studies were examining outcomes related to perceptions of breach. It is possible that a promise-based framework will better predict employee outcomes only in the context of a discrepancy in what has been promised and what has been fulfilled. In other words, perceptions of PC breach may focus attention on promises (e.g., the organization did not deliver on what was promised) rather than on expectations (e.g., the organization did not provide what I was anticipating). Thus, while it is possible that promises are more relevant than expectations in the context of PC breach, it is not known whether promises are more salient than expectations in the context of PC fulfillment.

There are several issues related to promises as the basis for the PC. First, an employee’s perception of what is promised may be different from what the organization believes it is obligated to provide to the employee. Morrison and Robinson (2004) note three reasons that contribute to incongruence in these perceptions. One reason relates to differences in schemas or starting assumptions of the parties regarding what resources are to be provided and received. For instance, prior work experience may drive employee understanding of what the organization is obligated to provide to the employee (e.g., an orientation training that was provided by a prior employer may lead an employee to anticipate similar training by the current employer). A second reason relates to the complex and ambiguous nature of the content of the exchange. For instance, career development covers a gamut of training programs, from workshops that provide basic user training programs, to seminars on advanced training. Finally, poor and insufficient communication regarding what is expected and what will be provided also contributes to differences in the beliefs regarding the contract. The greater is the extent to which there is incongruence in how the PC is understood by the employee and the organization, the greater is the likelihood that the employee will perceive PC breach.

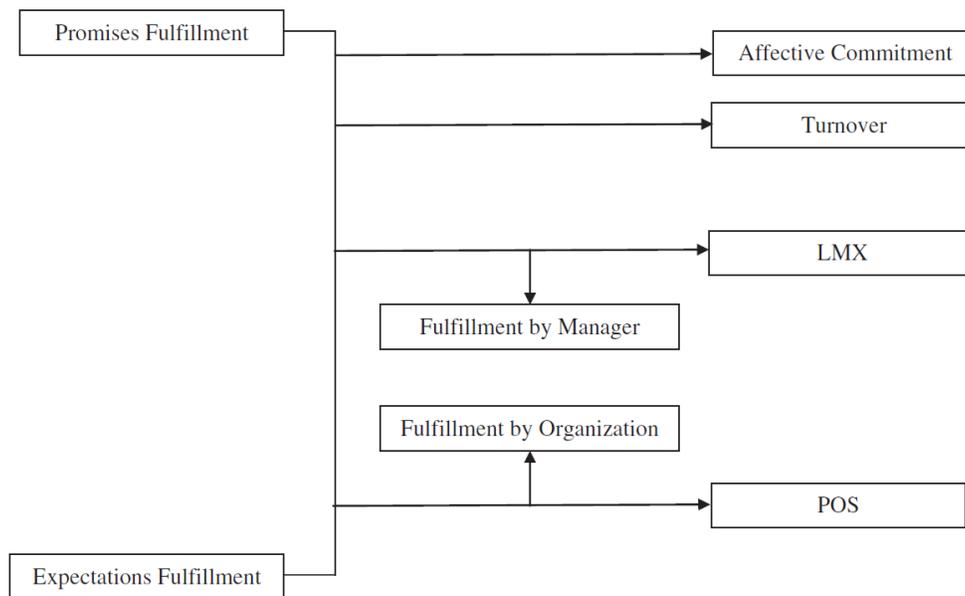


FIG. 1. Conceptual model.

The term *promise*, as understood by its synonyms—an agreement, a pledge, or a vow— reflects an entity that is fixed and unchanging. An employment relationship, on the other hand, is an evolving entity that reflects “the changing needs of both the parties over time” (Taylor & Tekleab, 2004, p. 253). Furthermore, most PC conceptualizations implicitly assume that employee participation in terms of the contract is voluntary, yet in many organizations, employees do not have the freedom to seek out certain entitlements. These are not voiced and hence are less likely to be fulfilled by the organization (McLean Parks, Kidder, & Gallagher, 1998). However, they may be more salient than the promises fulfilled in influencing employee’s attitudes and behaviors.

The concept of expectations in organizational behavior has been explained by Porter and Steers (1973) in terms of a “discrepancy between what a person encounters on this job in the way of positive and negative experiences and what he expected to encounter” (Porter & Steers, 1973, p. 152). However, expectations in the PC literature have mostly been understood in terms of reciprocal exchange—that is, the employee anticipates receiving valued resources (e.g., promotion, career opportunities) from the organization because the employee provides resources valued by the organization (e.g., in-role performance, loyalty; Levinson, Price, Munden, Mandl, & Solley, 1962; Schein, 1965; Sutton & Griffin, 2004). Empirical support for employee expectations as influencing employee reactions to the employment relationship comes from early PC research (Kotter, 1973; Levinson et al., 1962). Kotter’s (1973) study of new hires examined the role of expectations in the formation of the PC of new hires. The results indicated significant correlations between expectations and job satisfaction, productivity level, and turnover. Further, a qualitative study of more than 800 employees found that employees’ work-related expectations and the beliefs that these expectations will be fulfilled in the future by the organization provide employee motivation for continuing the employment relationship (Levinson et al., 1962).

The key difference between expectations and promises in the PC literature is that in the case of expectations, the exchange relationship is understood in terms of the extent to which employee expectations have been fulfilled by the organization, and in the case of promises, the exchange

relationship is based on the extent to which the organization has delivered on what it had promised at an earlier point in time. As Coyle-Shapiro and Kessler (2000) note, the importance of the distinction between promises (these authors use the term “obligations”) and expectations lies in examining the consequences associated with each construct. While there is a paucity of empirical research, theoretical arguments make a case for the importance of each type of PC fulfillment in predicting organizationally desired attitudes and behaviors. As a first step, we examine the predictive value of each on employee affective commitment.

Affective commitment as an outcome variable has received considerable attention from PC researchers (Zhao, Wayne, Glibkowski, & Bravo, 2007). Affective commitment, by definition, reflects the degree or the strength of an individual’s identification with and involvement in an organization (Meyer et al., 1993). Support for a positive relationship between PC fulfillment, operationalized in terms of promises, and affective commitment has been established by several researchers (Coyle-Shapiro & Kessler, 2000; Sturges, Conway, Guest, & Liefooghe, 2005).

Support for a positive relationship between expectations fulfillment and affective commitment comes from relational contract theory and organizational support theory (Eisenberger, Cummings, Armeli, & Lynch, 1997; Macneil, 1980). PC researchers have mostly drawn on Macneil’s (1980) theory of relational contract as a framework for describing and distinguishing a transactional type of contract from a relational contract, where the former is described as being economic, short-term oriented, and the latter as an open-ended, relational contract with a long-term focus (Hui, Lee, & Rousseau, 2004). However, one of the less discussed but key tenets of the theory is the contractual metaphor with its emphasis on the role of promises. Macneil (1980) presents arguments that explicitly discount the role of promises in shaping perceptions of any exchange relationship and instead highlights the role of actual exchanges, as well as anticipation of future exchanges.

Organizational support theory, too, suggests that promises may play a secondary role as compared to expectations in shaping employee perceptions of fulfillment. Organizational support theory has shown that favorable employment experiences that stem from discretionary actions of the organization, as opposed to mandatory constraints, are valued more and contribute to felt obligation by employees to reciprocate through positive behaviors (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Eisenberger et al., 1997). Discretionary action refers to behavior that is not an enforceable requirement as per the terms of a contract (Eisenberger et al., 1997). It is proposed that nonpromissory expectations will be viewed as discretionary, as opposed to an organization’s prescribed obligations (promises). Desired resources when given voluntarily rather than being required are welcomed as an indication that the donor values the recipient (Blau, 1964). Therefore, when an organization provides desired outcomes that were not specified by the terms of the contract, the employee will take that as an expression of value and appreciation, and the resulting sense of loyalty and involvement will be reflected in increased affective commitment.

H1: Promises fulfillment and expectations fulfillment independently explain unique variance in affective commitment.

Sample and Procedure

The paper-and-pencil surveys were administered to working adults enrolled in management courses in a public university located in the Midwest region of the United States. Participants were employed either

on a part-time or full-time basis. Of the 300 working adults enrolled in various courses, 258 participated in this study; 50.4% of the respondents were male. The mean age of the respondents was 24.3 years. The average amount of full-time work experience was 6 years. Of the respondents, 58.4% indicated that they held professional positions; 73% indicated that they worked full-time. Other sample characteristics were as follows: Mean organizational tenure was 5.1 years, average years working in the current position was 2.9 years, and mean tenure with the current supervisor was 2.9 years.

Measures

The survey distinguished between promises and expectations as follows: “Promises are things your organization has committed to provide to you in exchange for your contributions. Expectations are things that were not promised but you expect your organization to provide to you in exchange for your contributions.” We used a commonly used global measure for assessing both promises fulfillment and expectations fulfillment (Rousseau, 1990). The rationale is based on recommendations by Taylor and Tekleab (2004), who state that “it is quite important to conduct such empirical tests on a level playing field where measures of both types are equally specific or general in nature and equal in length” (p. 261). Consistent with the authors’ operationalization of the measure, existing items were used to assess promises fulfillment. To capture employee perceptions of expectations fulfillment, items were modified to reflect expectations instead of promises.

Promises Fulfillment

The respondents were asked to “Consider all of the promises your organization has made to you” when noting their agreement with the following items: “So far, my organization has done an excellent job of fulfilling its promises to me,” “I have **not** received everything promised to me in exchange for my contributions” (reverse scored), “Almost all the promises made by my organization during recruitment have been kept thus far,” “I feel that my organization has come through in fulfilling the promises made to me when I was hired,” and “My organization has broken many of its promises to me even though I have upheld my side of the deal” (reverse scored) ($\alpha = .88$).

Expectations Fulfillment

The respondents were asked to “Consider all of the expectations you have from the organization that are not covered by organization’s promises” when noting their agreement with the following items: “So far, my organization has done an excellent job of fulfilling my expectations,” “I have **not** received everything I expected in exchange for my contributions” (reverse scored), “Almost all the expectations I had since joining the organization have been fulfilled,” “I feel that my organization has come through in fulfilling the expectation I had since I was hired,” and “My organization has failed to fulfill many of my expectations even though I have contributed my share of work” (reverse scored) ($\alpha = .91$).

Affective Commitment

A 10-item measure developed by Meyer et al. (1993) was used to measure affective commitment. Respondents used a 5- point scale with anchors of 1 (*strongly disagree*) to 5 (*strongly agree*). A sample item of this measure is “I feel a strong sense of belonging to my organization” ($\alpha = .85$).

Results

Descriptive Statistics and Correlations

The means, standard deviations, and inter-correlations for all variables are presented in Table 1. All the measures show acceptable levels of reliability. However, promises fulfillment and expectations fulfillment were very highly correlated (.80**) and thus raise concerns related to their distinctiveness.

TABLE 1
Means, standard deviations, and intercorrelations for variables in Study 1 and Study 2

Variables	Mean	SD	1	2	3	4	5	6	7
Study 1									
1. Promises fulfillment	3.54	.81	.88						
2. Expectations fulfillment	3.36	.94	.80**	.91					
3. Affective commitment	2.89	.99	.40**	.43**	.93				
Study 2									
1. Promises fulfillment	3.48	7.81	.87						
2. Expectations fulfillment	3.32	.88	.63**	.86					
3. Turnover	.23	.43	-.37**	-.35**	—				
4. Fulfillment by manager	3.37	.89	.12	.30**	-.19	.80			
5. Fulfillment by organization	3.25	.90	-.05	-.01	-.07	.21	.84		
6. LMX	4.07	.75	.13	.35**	-.10	.26*	.12	.92	
7. POS	3.35	.69	.56**	.67**	-.37**	.22*	.19	.33**	.88

Note. $N = 105$. Values in the diagonal are reliabilities of the items of the variables.

* $p < .05$. ** $p < .01$.

The factor structure for promises fulfillment and expectations fulfillment was examined using confirmatory factor analysis (CFA). CFA is considered a theory testing procedure and, therefore, a valid method for establishing whether the constructs of interest, promises fulfillment and expectations fulfillment, are distinct (Tabachnick & Fidell, 2000). Two models were tested: (a) Model 1, a single-factor model that has items for PC fulfillment of expectations and PC fulfillment of promises loading on one factor; and (b) Model 2, a two-factor model comprised of one factor containing items for promises fulfillment and another comprised of items for expectations fulfillment (hypothesized model). The two-factor model provides a better fit with a chi-squared at 83.58 (29 degree of freedom) as compared to the one-factor model, which had a chi-squared of 179.67. Other goodness-of-fit statistics, presented in Table 2, indicate an acceptable fit for the hypothesized model (CFI = 0.99; GFI = 0.94; AGFI = 0.88; RMSEA = 0.08). Thus, respondents distinguished between promises fulfillment and expectations fulfillment.

Hierarchical regression results presented in Table 2 show that while both regression equations are significant, expectations fulfillment explains additional variance in affective commitment over and above variance explained by promises fulfillment ($\Delta R^2 = .03$; $p < .01$). However, reversing the order, that is, entering promises fulfillment in step 2 after expectations fulfillment, leads to nonsignificant results ($\Delta R^2 = .01$, $p > .05$).

TABLE 2
Hierarchical regression examining effects of promises fulfillment and expectations fulfillment on affective commitment (Study 1)

Variables	Affective commitment	
	Step 1 β	Step 2 β
Model 1		
Expectations Fulfillment	.44**	.33**
Promises Fulfillment		0.14
ΔR^2	0.19**	0.01
ΔF	58.74	2.11
R^2	0.19	0.20
Adj. R^2	0.19	0.20
Overall F	58.74***	30.55***
Model 2		
Promises Fulfillment	.40***	0.14
Expectations Fulfillment		.33**
ΔR^2	0.16***	0.034**
ΔF	47.05	11.98
R^2	0.16	0.20
Adj. R^2	0.16	0.19
Overall F	47.05***	30.55***

** $p < .01$. *** $p < .001$.

STUDY 2

The second study was undertaken with three objectives in mind: (a) to replicate the results of Study 1 with an organizational sample; (b) to examine predictive validity by including other outcome variables (turnover); and (c) to examine multisource effects (manager vs. organization) of PC fulfillment. Additionally, we hoped to address two methodological issues that undermine the Study 1 results: collinearity between promises fulfillment and expectations fulfillment and the issue of common-source and common-method bias, given the single-source data and the cross-sectional nature of the first study.

Employees who perceive that the organization is not fulfilling its side of the exchange agreement are likely to consider dissolving the relationship (Rousseau, 1995). Empirical research supports the positive relationship between perceptions of PC breach and intentions of turnover, as well as actual turnover (Bunderson, 2001; Robinson & Rousseau, 1994). A question to consider is whether the opposite holds true when the employee believes that the organization is delivering on what that employee anticipates receiving. That is, is PC fulfillment negatively related to turnover? Additionally, of interest is the likelihood of differential effect of promises fulfillment and expectations fulfillment on turnover. Although studies have examined the relationship between PC breach and turnover intentions (Dabos & Rousseau, 2004; Tekleab, Takeuchi, & Taylor, 2005), none to our knowledge have examined the relationship between PC fulfillment and actual turnover. The extent to which the organization fails to fulfill its promises to the employee has been found to be a stronger predictor of turnover intentions than unmet expectations (Robinson, 1996; Turnley & Feldman, 2000). Furthermore, turnover intentions have been found to precede actual turnover in the context of contract violations (Tekleab et al., 2005).

Based on these research findings, it is reasonable to suggest that employees will be less likely to leave an organization that is viewed as keeping its part of the bargain.

In a similar vein, if an organization consistently fulfills employee expectations regarding what the organization should provide, this is likely to be viewed as an indication of the organization's intention to continue providing valued resources to the employee. The employee, therefore, will be motivated to be vested in the organization by increasing his or her reliance on and commitment to the organization and thus will be less inclined to leave the organization. Support for expectations as a stronger predictor of turnover in the context of fulfillment comes from a meta-analysis by Griffeth et al. (2000) that found a significant negative relationship between met expectations and turnover. These results suggest that fulfillment of employee expectations is significantly and negatively related to employee turnover.

H2: Promises fulfillment and expectations fulfillment independently explain unique variance in turnover.

Multisource Effects of PC Fulfillment

Research in the area of social exchange provides theoretical and empirical evidence regarding multiple exchange relationships in the workplace (Cole et al., 2002; Wayne, Shore, & Liden, 1997). Multifoci effects, in the context of psychological contract, would relate to the organizational source deemed responsible for providing anticipated resources. For instance, receiving valued benefits such as a challenging assignment and promotion opportunity may be attributed to the discretionary actions of the manager, while health care benefits, number of vacations allowed per year, and so on would be perceived as resources that the organization is providing. Organization as a source of PC fulfillment is consistent with the core assumption of organizational support theory that employees attribute person-like qualities to the organization (Eisenberger et al., 2001). Extending this line of enquiry, it is worthwhile to explore how employee perceptions of fulfillment by the manager and organization impact the quality of the exchange relationship with the manager and the organization, respectively.

Research studying LMX and PC fulfillment is limited (for an exception, see Henderson, Wayne, Shore, Bommer, & Tetrick, 2008). Indirect support for the psychological contract and LMX linkage comes from a study by Liden and colleagues (Liden, Wayne, & Stilwell, 1993) that found expectations of performance to be determinants of leader-member exchanges. Their results can be extended by proposing that contributions by the leader that meet the expectations of an employee would generate positive employee perceptions regarding the quality of the relationship with the leader. Social exchange theory, as one of the theoretical bases of LMX, also suggests that the resources exchanged by both parties will influence the quality of the relationship such that the greater the value of the resources (e.g., promotion, challenging assignment, feedback) provided to the employee, the higher the employee rating of the quality of the exchange relationship (Wayne et al., 1997). It is proposed that the delivery of resources from the manager that addresses employee expectations leads to employees' increased trust (Montes & Zweig, 2009) and perceptions of being treated well by the manager. Furthermore, it will lead to anticipation of such exchanges in the future, signifying a valued long-term exchange relationship with one's manager. This relationship is expected to hold for promises as well as for expectations.

H3a: The relationship between promises fulfillment and LMX will be stronger to the extent that employees perceive the manager as the responsible agent to deliver valued resources.

H3b: The relationship between expectations fulfillment and LMX will be stronger to the extent that employees perceive the manager as the responsible agent to deliver valued resources.

Organizational support theory states that employees have a tendency to assign the organization human-like characteristics (Eisenberger et al., 2001). Levinson (1965) suggested that rather than attribute actions taken by the organization (e.g., manager) to the personal agents' motives, employees often view these as indications of an organization's intent. Human resource policies and practices play an important role in the sense-making regarding contributions by the organization (Guzzo & Noonan, 1994; Rousseau, 1995). Receiving valued resources that address employee expectations is likely to result in perceptions that the organization cares and supports its employees. Perceived organizational support (POS) is understood as employees' global beliefs regarding their relationship with the organization and is developed by the favorable treatment an employee receives from the organization (Aselage & Eisenberger, 2003). Previous studies have found organizational rewards and work conditions (Rhoades & Eisenberger, 2002), skill development (Wayne et al., 1997), and positive work conditions (Rhoades & Eisenberger, 2002) to be related to POS. A review of PC research also finds POS to be associated with employee ratings of PC fulfillment (Coyle-Shapiro & Conway, 2005; Coyle-Shapiro & Kessler, 2000). Aselage and Eisenberger (2003) theorize that the causality may work in the reverse order—that is, POS is more likely to lead to PC fulfillment. However, results from a longitudinal study suggest that the relationship between PC fulfillment and POS is likely to be recursive, and thus, PC fulfillment may lead to POS and POS, in turn, may result in perceptions of PC fulfillment (Coyle-Shapiro & Conway, 2005). Furthermore, our intent is to examine the role of the agent in shaping employee responses to PC fulfillment. Hence, we propose that to the extent PC fulfillment results from the action of the organization, it is likely to result in increased POS. This relationship is expected to hold for promises as well as for expectations.

H4a: The relationship between promises fulfillment and POS will be stronger to the extent that employees perceive the organization as the responsible agent to deliver valued resources.

H4b: The relationship between expectations fulfillment and POS will be stronger to the extent that employees perceive the organization as the responsible agent to deliver valued resources.

Sample and Procedure

Participants in this study worked for a not-for profit organization located in a large city in the Midwest region of the United States. This organization is part of a national organization of local chapters and provides services to underprivileged population in terms of activities such as after-school care, as well as offering development programs in a variety of areas such as education and career skills, arts, sports, fitness, and recreation. Of the 186 surveyed employees, 105 employees worked full-time and the data provided by these employees were used to analyze the hypotheses. The paper-and-pencil survey asked the respondents to complete items related to the hypothesized variables, except turnover. Fifty-two percent of the participants were female. The average age was 32.3 years ($SD = 10$ years). The average organizational tenure was 5 years and 4 months ($SD = 5.2$ years). The average manager tenure was 3 years and 5 months ($SD = 2.2$ years).

Measures

Promises Fulfillment

Since one of the primary objectives of the study was to replicate the results from Study 1, we used items, response anchors, and instructions identical to those utilized in Study 1 for fulfillment of promises. The only modification to the items related to replacing “organization” with the actual name of the organization ($\alpha = .87$).

Expectations Fulfillment

Similar to the approach for measuring PC fulfillment of promises, we used identical items, response anchors, and instructions for measuring employees’ fulfillment of expectations. Again, the only change to the language related to substituting the term “organization” with the actual name of the organization ($\alpha = .86$).

Fulfillment by Manager

Rousseau’s (1990) seven-item content measure was used to identify the extent to which the employees perceive the manager to be providing valued outcomes. The seven outcomes listed in the survey were promotion opportunities, fair pay, pay based on current level of performance, training, long-term job security, career development, and support with personal problems ($\alpha = .80$).

Fulfillment by Organization

The scale and the items for assessing this measure were identical to those used for assessing fulfillment by the manager, with instructions to identify the extent to which the organization provides the valued outcomes ($\alpha = .84$).

LMX

The 12-item LMX-MDM measure was used in the study (Liden & Maslyn, 1998). A sample item from the LMX-MDM measure is “I do not mind working my hardest for my supervisor” ($\alpha = .92$).

POS

We used 12 items from the POS measure from Eisenberger’s Survey of Perceived Organizational Support (Rhoades & Eisenberger, 2002). The composite of these items has a scale reliability of .68. This Cronbach alpha score became .88 after deleting the following item: “My relationship with my organization is strictly an economic one—I work and they pay me.” A sample item for the measure is “*Organization* is willing to extend itself in order to help me perform my job to the best of my ability.”

Turnover

Information on employee turnover was provided by the organization 18 months after the survey administration. There were no layoffs or other instances of involuntary turnover between the time of survey data collection and assessment of turnover. Turnover was coded 1 if the employee had left the company and 0 if the employee was still employed by the company.

Control Variables

In order to assess the role of demographic and work-context variables, data were collected for the following variables: age, race, gender, years of employment, tenure in the current organization, tenure

with the current manager, and tenure in the current position. None of these variables was significantly correlated with the variables comprising the hypotheses, and therefore these were not included in the analyses.

Results of the Study

The means, standard deviations, and intercorrelations are presented in Table 1. Correlations between expectations fulfillment and POS ($r = .67, p < .01$) and promises fulfillment and expectations fulfillment ($r = .63, p < .01$) raise the concerns related to collinearity. In order to investigate this issue we computed variance inflation factor (VIF) values, which provide an estimate of the inflation of the variance of the dependent variable as a consequence of the correlation between two independent variables (Pedhazur & Schmelkin, 1991). The VIF value for expectations fulfillment and POS is 1.894 and the VIF value for promises fulfillment and expectations fulfillment is 1.609. While there is no formal cutoff value to use with VIF for determining the presence of collinearity, values exceeding 10 suggest collinearity. Thus, our results do not seem to be influenced by multicollinearity.

As the dependent variable (i.e., turnover) is binary in nature, a hierarchical logistic regression analysis was conducted to test the hypotheses that examined the relative effects of the variables of interest:— promises fulfillment and expectations fulfillment—on employee turnover. The results for Hypothesis 2, provided in Table 3, indicate that promises fulfillment explained additional variance over expectations fulfillment in employee turnover ($\Delta R^2 = .07, p < .05$); however, when reversing the order of the variables, expectations fulfillment did not explain additional variance in turnover ($\Delta R^2 = .04, p > .05$).

We performed four separate moderated hierarchical regression analyses for the hypotheses related to the multisource effects of fulfillment on LMX (Hypotheses 3a and 3b) and POS (Hypotheses 4a and 4b). The significance of the interaction term in each regression indicated support (or lack of support) for the hypothesized relationship. Results in Table 4 show that promises fulfillment is not related to LMX when the source of fulfillment is the manager ($\beta = .04, p > .05$), while, expectations fulfillment is significantly related to LMX when the source is the manager ($\beta = .24, p < .05$). As illustrated in Figure 2, the relationship between expectation fulfillment and LMX was stronger and positive under the high PC fulfillment by supervisor condition, while there was no relationship between the two under low expectations fulfillment by supervisor condition.

Results in Table 5 show that while promises fulfillment and fulfillment by the organization are related to POS, the interaction term is nonsignificant ($\beta = .13, ns$). Thus, Hypothesis 4a was not supported. On the other hand, the interaction term for expectations fulfillment and fulfillment by the organization is significantly related to POS ($\beta = .31, p < .001$). The moderation effect of fulfillment by the organization on the relationship between expectations fulfillment and POS illustrated in Figure 3 shows that there is a stronger and positive relationship between expectation fulfillment and POS under high fulfillment by the organization, but the relationship was flat under low fulfillment by the organization. Taken together, the results show that fulfillment by the manager, as well as fulfillment by the organization, results in perceptions of high-quality relationship with the manager and the organization, respectively, only when employees' expectations are fulfilled and not when promises are fulfilled.

TABLE 3
Hierarchical logistic regression examining the effect of promises fulfillment and expectations fulfillment on turnover (Study 2)

Variables	Step 1			Step 2		
	β	Exp β	Wald (<i>df</i>)	β	Exp β	Wald (<i>df</i>)
Model 1						
Expectations Fulfillment	-1.05	.35	9.60(1)	-.63 [†]	.53	2.90(1)
Promises Fulfillment				-.97*	.38	4.70(1)
χ^2		11.57*			16.55**	
Nagelkerke R^2		0.18			.25	
$\Delta\chi^2$					4.98*	
ΔR^2					.07	
Model 2						
Promises Fulfillment	-1.31**	.27	10.67	-.97*	.38	4.68(1)
Expectations Fulfillment				-.63 [†]	.53	.37(1)
χ^2		13.57**			16.55**	
Nagelkerke R^2		.21			.25	
$\Delta\chi^2$					2.98	
ΔR^2					.04	

[†] $p < .1$. * $p < .05$. ** $p < .01$. *** $p < .001$.

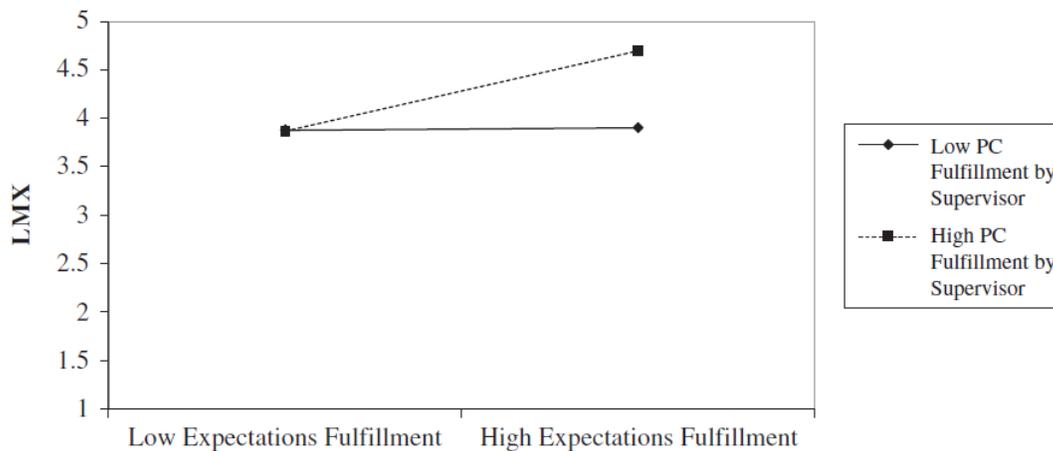


FIG. 2. Moderation effect of PC fulfillment by manager on expectations fulfillment and LMX.

DISCUSSION

The key questions driving the study were: (a) Are employee expectations important in the study of PC fulfillment? (b) How does fulfillment attributed to agents of the organization impact the quality of exchange relationships in the workplace? Our results suggest that employees pay attention not only to the extent to which organizations deliver on their promises, but also to the extent to which organizations are providing what the employee expects to receive as part of the exchange relationship. Employee expectations are an important aspect of shaping quality of key exchange relationships in the workplace. Organizations' promises, too, are important, as employees who believe that the organization is fulfilling its promises are less likely to leave the organization. This suggests that both promises and expectations are important bases of understanding employee responses to PC fulfillment.

TABLE 4
Moderated regression examining the effects of PC fulfillment by manager on LMX (Study 2)

Variables	LMX	
	Step 1 β	Step 2 β
Model 1		
Promises Fulfillment	.10	.10
PC Fulfillment by Manager	.24*	.25*
Promises Fulfillment \times PC Fulfillment by Manager		.04
ΔR^2	.08*	.01
ΔF	3.24*	.13
R^2	.08	.08
Adj. R^2	.05	.04
Overall F	3.24*	2.18†
Model 2		
Expectations Fulfillment	.30**	.25*
PC Fulfillment by Manager	.16	.22*
Expectations Fulfillment \times PC Fulfillment by Manager		.24*
ΔR^2	.15*	.05*
ΔF	6.76*	5.14*
R^2	.15	.20
Adj. R^2	.13	.17
Overall F	6.76*	6.46**

† $p < .1$. * $p < .05$. ** $p < .01$. *** $p < .001$.

TABLE 5
Moderated regression examining the effects of fulfillment by organization on POS (Study 2)

Variables	POS	
	Step 1 β	Step 2 β
Model 1		
Promises Fulfillment	.53***	.51***
PC Fulfillment by Organization	.20*	.20*
Promises Fulfillment \times PC Fulfillment of Organization		.13
ΔR^2	.31***	.02
ΔF	17.48***	1.81
R^2	.56	.57
Adj. R^2	.29	.30
Overall F	17.48***	12.37***
Model 2		
Expectations Fulfillment	.67***	.57***
PC Fulfillment by Organization	.19*	.20**
Expectations Fulfillment \times PC Fulfillment by Organization		.31***
ΔR^2	.48***	.08***
ΔF	35.48***	14.54***
R^2	.48	.56
Adj. R^2	.46	.54
Overall F	35.48***	32.61***

† $p < .1$. * $p < .05$. ** $p < .01$. *** $p < .001$.

These findings reiterate the need to focus on the “psychological” nature of the contract. Employee sense-making regarding the PC is shaped by unique cognitions and idiosyncratic interpretations of the employment relationship (Rousseau, 1995). Some of these beliefs are shaped by the implicit and explicit communication of what the organization owes the employee. Other beliefs may be shaped by factors unrelated to the organization’s promises, such as the employee’s awareness of his or her value to the organization in terms of contributions to the organization’s goals, social comparison with peers, and so on (Morrison & Robinson, 2004). These factors necessitate inclusion of expectations that are not addressed by employee beliefs regarding promises by the organization.

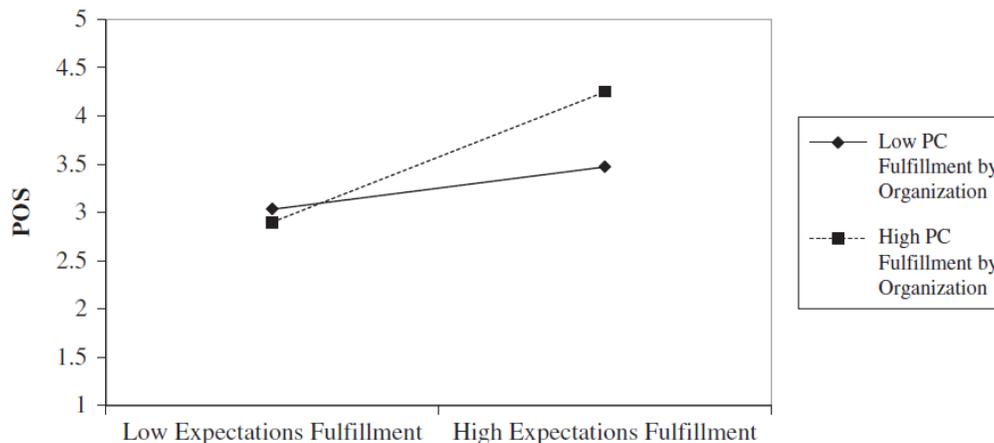


FIG. 3. Moderation effect of PC fulfillment by manager on expectations fulfillment and POS.

Study 1 results reveal that employees whose expectations are being addressed by the organization feel more attached to and vested in the organization. On the other hand, Study 2 findings showed promises to be stronger predictors of employee turnover than expectations. Take together, these results suggest that employees take a fine-grained approach to sense-making regarding the employment relationship. The broad implication of the findings to the debate regarding promises versus expectations as the basis of PCT is that the issue is not whether the researchers focus on only promises or expectations. Rather, our research underscores the need to focus on the employee beliefs that cover the gamut of reciprocal exchanges based on organization's promises as well as employee expectations.

Our research also examined the effects of two sources of fulfillment: the employee's manager and the organization. Additionally, the interrelationships between PC fulfillment and other social exchange-based variables, LMX and POS, were examined. We expected that employees provide high ratings for the quality of exchange relationship with the agent deemed responsible for fulfillment of the valued resources. This premise held true only for the manager as the source of fulfillment. In other words, employee perceptions of PC fulfillment by the manager was associated higher ratings of LMX by the employee, but employee perceptions of PC fulfillment by the organization was not related to higher POS ratings. Interestingly, PC fulfillment by the manager was significantly related to POS as well ($r = .22, p < .05$). It is likely that the employee has a better understanding of what the manager does for the employee in terms of the exchange relationship, as opposed to what the organization does. The manager has the unique role of serving as one's manager but also represents the organization, and therefore, the extent to which the manager is perceived as providing valued resources to the organization translates into employee perceptions of a high-quality relationship with the manager but also belief that organization is supportive.

Research examining how leader and subordinate relationships are formed has found that LMX develops in the first few weeks of the dyad creation, shaped by several factors, such as expectations each party has of each other (Liden et al., 1993). Our research findings add to this body of work by highlighting that the maintenance of the relationship, too, is shaped by expectations regarding exchanges of valued resources. Additional work in this line of enquiry can focus on valued outcomes for the manager besides employee rating of LMX as a result of PC fulfillment by the manager. It would help shed light on the motivational bases for managers to provide valued resources to the subordinates. Our results for PC fulfillment and POS relationship are consistent with past theorizing (Aselage & Eisenberger, 2003), as well as with empirical findings (e.g., Coyle-Shapiro & Conway, 2005). The need for integration of POS and PC theory is confirmed by our research that shows that POS to be strongly correlated with PC fulfillment conceptualized in term of promises as well as expectations.

The current study reiterates the need to pay attention to the multisource effects of PC fulfillment. For instance, the reimbursement of college tuition may symbolize benevolent actions of the organization and result in employee reciprocal response toward the organization (e.g., citizenship behavior toward the organization). The employee's immediate manager may be viewed as another source of fruition of valued benefits such as promotions, which engender employee positive responses geared toward the manager. Future research may examine the nature and type of reciprocation in the context of multisource effects of fulfillment. Interestingly, the current research found that promises fulfillment was not related to LMX. Additional research and theory development are called for to examine this counterintuitive finding.

It is commonly believed that employees leave their managers, as opposed to leaving the organization. Our research did not examine the cause of voluntary turnover as attributed to the manager or the

organization. Research is needed to take the discussion beyond identifying the sources of fulfillment and their impact on the exchange relationship, the focus of the current study, to parsing out the effects of sources of fulfillment on voluntary turnover. This line of investigation would add to value to turnover research by going in depth into the effects of multisource argument related to fulfillment on employee withdrawal attributed to the manager versus to the organization.¹

Limitations and Future Research

The current investigation has several limitations that need to be weighed in as one draws conclusions from the results. A major area of concern is the issue of collinearity between promises fulfillment and expectations fulfillment, as well as between POS and expectations fulfillment. While the collinearity diagnostics provided by VIF suggest that collinearity between the two pairs of variables did not inflate the results, we note this as a limitation, as it is compounded by single source and common method bias in this study. Correlations between two measures may be inflated if both are collected at the same time, from the same person, and using the same data collection technique. This is a concern when the study objectives are geared toward only direct relationships between the two perceptual variables (Siemsen, Roth, & Oliveira, 2010).

However, our study also investigated and found support for the interactive effects of fulfillments and responsible parties on the quality of relationships with the organization or the manager. Our study results demonstrated that PC fulfillment conceptualized as expectations is significantly related to LMX when the perceived source of fulfillment is the manager and significantly related to POS when the perceived source of fulfillment is the organization. Thus, as Siemsen et al. (2010) noted, the common method bias is less likely to be a threat in the current study. Indeed, we found interaction effects of expectations fulfillment and fulfillment both by the manager and by the organization, so the results “should be taken as strong evidence that an interaction effect exists” (Siemsen et al., 2010, p. 470). In addition, our study addressed this issue, to an extent, by using turnover data from the organizational records for the period of 18 months. However, future research incorporating information from other sources such as the manager will help alleviate this limitation.

Furthermore, our organizational sample came from a not-for-profit organization. This is a potential weakness of our research, as it raises issue of generalizability. It is worth noting though that researchers have argued that the PC framework is likely to be robust in a variety of work arrangements, including contingent workers. The reasoning is based on the social exchange theory suggesting that basic social exchange processes shaping the relationship between worker and organization are universal (McLean Parks et al., 1998). We tested this premise by comparing the factor structure derived from the current study data with that of other studies that collected data from for-profit organizations (e.g., Hui et al., 2004). Exploratory and confirmatory analyses show that the factor structure for the study data matches that of the other studies, suggesting that the employment relationship in for-profit and not-for-profit settings is similar in nature. However, additional tests are needed to confirm for generalizability of this assertion. Some researchers have argued that not-for-profit workers may be motivated by different factors than for-profit workers, such as value expression, ego defense, social adjustment, and gaining knowledge, to name a few factors (Omoto & Snyder, 1995). The implication of such theorizing is that there should be weaker effects with outcomes such as turnover for nonprofit workers. Thus, the significant findings of our study suggests that the not-for profit organizational sample may have

provided a more stringent test of the hypothesized model. However, this contention will need to be tested by use of another sample.

Several researchers have criticized the practice of examining the psychological contract from the employees' perspective, and neglecting the mutuality implicit in the concept of PC, which by definition refers to reciprocal obligations, that is, obligations of the organization as well as obligations of the employee. This study only examines what the organization provides, and thus does not address the obligations of the employee toward the organization. However, it can be argued that the PC understood in terms of employee perceptions of what they are owed can be of immense value as well. How employees "define the deal" (McLean Park et al., 1998) constructs the "psychological" nature of contracts. The unique cognitions and idiosyncratic interpretations lead to employee sense-making regarding the reciprocal exchange agreement. It is worthwhile to note that other areas such as POS give a central role to the employee belief system. Therefore, it is fair to conclude that while joint perceptions of employees and the employer will significantly broaden our understanding of the reciprocal exchange agreement, there is sufficient justification to study the psychological contract construct as a subjective employee-level phenomenon.

As the workplace undergoes transformations due to globalization and increased competition, and organizations resort to change programs such as downsizing, restructuring, and sometimes outsourcing to stay competitive, there is said to be a fundamental shift in the employment relationship (Chaudhry, Wayne, & Schalk, 2009; Ghoshal & Bartlett, 2000). Therefore, directions for future research call for examining the robustness of our hypothesized model in a variety of contexts, including economic downturn. Our research did not account for how our results, specifically related to employee turnover, may be impacted by the current economic environment. It can be speculated that employees will be reluctant to leave their jobs due to the potential challenges of finding employment during an economic downturn. However, our results found significant results for the hypotheses related to turnover, suggesting that economic downturn did not factor into our results. Indeed, if there is any influence, the results would have been stronger than those reported in our study if data were not collected during an economic downturn. Additional research is needed to test this premise.

Finally, the robustness of the construct of expectations fulfillment needs to be established by exploring similar constructs. The concept of behavioral integrity is relevant, as it focuses on the perceived level of match or mismatch between the espoused and the enacted practices of the organization and reflects a notion similar to the one underlying the concept of psychological contract (PC) fulfillment, the level of match or mismatch between what the organization is obliged to provide and what it actually provides. Research is needed to investigate the distinctness between fit (or lack of fit) between espoused values and actual practices underlying the construct of behavioral integrity and the organization delivering on its promises (or not), as well as whether employee's expectations are fulfilled (or not). Alternative models can be explored, such as high expectations fulfillment buffering the effect of low behavioral integrity on adverse reactions from the employee. Relatedly, the current study did not make distinction between promises versus expectations fulfillment by the manager; nor did it make such distinction between promises versus expectations fulfillment by the organization. Therefore, we encourage future researchers to make such distinctions to fully capture and tease out the effects of promises and expectations fulfillment.

Implications for Management

Despite the limitations just described, the current study has important implications for management. First, it assists practitioners in understanding the role of employee expectations as a motivator in the work context. It is worthwhile for organizations to identify valued expectations and assess how employees respond when these expectations are met by the organization. Fulfillment of these expectations will help retain an organization's best talent and will garner superior work performance. Furthermore, managers who are in tune with what employees anticipate in terms of resources can play a more active role in delivering such resources. This would not only contribute to employee retention and increase employee commitment, but also would result in a better quality exchange relationship with the employee. Communication is likely to play a critical role, such that upward communication would clarify employee expectations while downward communication would provide accounts of manager efforts in fulfilling these expectations.

Third, managing employee perceptions of exchange should not be delegated to the employee's manager alone. Our results show that to the extent that employees attribute organizational actions as responsible for receiving desired benefits, they view the organization to be supportive. Furthermore, efforts by the organization that are seen as discretionary and not part of contractual terms and conditions will translate into employee perceptions of being valued by the organization. Thus, organizations need to play a more active role in shaping, maintaining, and fulfilling employees' psychological contracts.

Overall, the current study compared the incremental values of promises and expectation fulfillments on important work outcomes (affective commitment and turnover). In addition, it provided evidence of the interactive effect of fulfillments and the agent who fulfilled employees PCs on POS and LMX. In general, the study found support for most of the hypotheses and provided suggestions to managers in their future dealings with employees PCs. Finally, it also provided future directions in this research area.

NOTE

1. We thank anonymous reviewer 2 for this suggestion.

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