

Exploring civic virtue and turnover intention during organizational changes[☆]

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Abstract

Mergers and acquisitions (M&A) are probably the most common strategic manoeuvres in business. Given the critical importance of human factors for their success, this study aims to enhance understanding of employee reactions to such projects. This article looks into the way that psychological contract breach affects employee turnover intention and civic virtue, after taking into consideration the mediating role of organizational commitment and the moderating role of coping with changes. Data were obtained from employees at a recently acquired restaurant chain in Athens, Greece. Statistical analyses confirmed all hypotheses, with one exception.

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1. Introduction

Mergers and acquisitions (M&A) are very important and popular means for executing organizational strategies. In spite of being widespread, their rate of failure varies between 50% and 80% (Lubatkin, 1983; Marks and Mirvis, 1985; Officer, 2003; Pekar and Allio, 1994). Existing literature (e.g. Brynjolfsson et al., 1997; Buchanan et al., 2000) identifies the main reasons for not fulfilling initial financial or strategic goals, and these include both hard factors (concrete, such as money, property, equipment) and soft factors (intangible, such as issues related to employees and organizational culture). Some authors suggest that paying the wrong price, buying for the wrong reason, selecting the wrong partner, or not integrating technology in time pose significant threats to successful M&A (e.g. Armenakis and Bedeian, 1999; Haleblan, 1999). However, others insist that underestimation of the pervasiveness and depth of the problems related to human factors condemns the projects to failure. Among the negative consequences recognized are decreased job satisfaction, organizational commitment, loyalty and productivity and increased defective products, mistakes and withdrawal behaviors (Grossman, 1999; Latack,

1986; McHugh, 1997). Consequently, more attention should be given to employees' needs (Bijlsma-Frankema, 2001; De Cock and Rickards, 1996; Seibert, 1995).

Researchers focus on uncovering job and organizational factors that contribute to key employee attitudes and performance behaviors, in an attempt to deal effectively with subsequent radical changes (Lester et al., 2002). Psychological contracts – individuals' beliefs or perceptions regarding reciprocal obligations arising in the course of an employment relationship (Rousseau, 1990) – have emerged as a key concept when examining organizational changes, as they provide the theoretical foundation for understanding why and how employees' attitudes and behaviors are affected (Cortvriend, 2004; Schalk and Freese, 2000). Based on exchange theory and reciprocity norm, employees' willingness to act in ways that favour the organization depends on the extent to which they believe that the organization treats them beneficially (Coyle-Shapiro, 2002). As a result, psychological contracts are a means not only for understanding but also for managing the employment relationship (Conway and Briner, 2002; Freese and Schalk, 1996). The importance of psychological contracts is further manifested through its breach. Psychological contract breach occurs when employees perceive a discrepancy between promises (explicitly or implicitly) and provisions (Morrison and Robinson, 1997). Among the acknowledged consequences of contract breach are limited organizational commitment (Guzzo

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et al., 1994b), job satisfaction (Lester et al., 2001), in-role behavior (Turnley and Feldman, 1998), and extra-role behavior (Robinson and Morrison, 1995) as well as increased turnover intention (Millward and Brewerton, 1999).

This study looks into the impact of psychological contract breach on employee turnover intention and civic virtue displayed within a M&A setting. The reason for selecting these aspects of attitude and behavior over others lies in their relation to effective change implementation, as key departures and limited extra-role behavior reduce the estimated synergies of the M&A (Marks, 1997). In fact, employee intention to leave the organization is probably the most common negative consequence of such ventures (Cartwright and Cooper, 1989; Fabrizio, 1999; Iverson and Pullman, 2000; Mishra and Spreitzer, 1998; De Meuse and Tornow, 1990), while employees' reluctance to contribute more than what is absolutely necessary to keep their job jeopardizes the project's success (Demers et al., 2003; Howard and Frink, 1996; Melewar et al., 2005; McKinley and Scherer, 2000). Furthermore, according to Katz (1964), willingness to remain at the organization and engage in extra-role behavior are two of the three behavioral prerequisites of a functioning organization.

In line with previous researchers (Restubog et al., 2006), the expectation in the present study is that organizational commitment will mediate the effect that psychological contract breach has upon both employees' turnover intention and engagement in civic virtue. Last but not least, the anticipation is that individual's ability to cope with organizational changes moderates the aforementioned relationships. Given a) the subjective nature of psychological contracts (Rousseau, 1995) and b) the fact that an individual's assessment of the context of the contract breach takes place within influences the strength of their reactions (Morrison and Robinson, 1997), the examination of some individuals' characteristics that are critical in a changing organizational setting is necessary.

The existing literature identifies the impact of psychological contract breach on both civic virtue behavior (negative — Robinson, 1996) and intention to leave the organization (positive — Robinson and Rousseau, 1994) and the mediating role of organizational commitment between contract breach and civic virtue (Restubog et al., 2006). Nevertheless, this study

differs from previous work by a) examining these relationships during M&A, b) looking into the moderating role of the employee's ability to cope with organizational changes in the aforementioned relationships, and c) reflecting a totally different cultural background.

2. Theoretical background and hypothesized model

2.1. Psychological contract breach

According to Blau's (1964) exchange theory, individuals make contributions to the organizations in return for certain organizational inducements. Recent social exchange theorists also view the employment relationship as an exchange of loyalty and effort for organizational inducements (Rhoades and Eisenberger, 2002). In fact, following Gouldner's (1960) norm of reciprocity, Eisenberger et al. (2001) argue that favourable treatment motivates employees to act in ways that support the organization. Stated differently, an organization's lack of consistency regarding its obligations is likely to reduce employees' belief on the existence of a mutually beneficial employment relationship (Turnley and Feldman, 1999).

Researchers suggest that psychological contract breach is common among employees (Guest, 1998; McLean Parks and Kidder, 1994; Rousseau, 1990). The literature provides evidence that contract breach is even more common and more intense during major organizational change, as increased instability forces employees to continuously reassess and renegotiate their terms of employment (Pate et al., 2000; Sels et al., 2004). Organizational changes influence employees' working reality, including their expectations, demands and obligations (Drucker, 1997; Lawler and Finegold, 2000), altering the foundations of employees' beliefs about their employment relationship (Guzzo et al., 1994a) and their overall treatment (Bligh and Carsten, 2005). In this context, several researchers embrace Robinson's (1996) suggestion that employees are more likely to experience contract breach and to a greater extent during major organizational changes (Lo and Aryee, 2003; Robinson and Morrison, 2000; Turnley and Feldman, 1998).

Since M&A are processes of tremendous organizational change (Van Dick et al., 2004), post-merger/acquisition

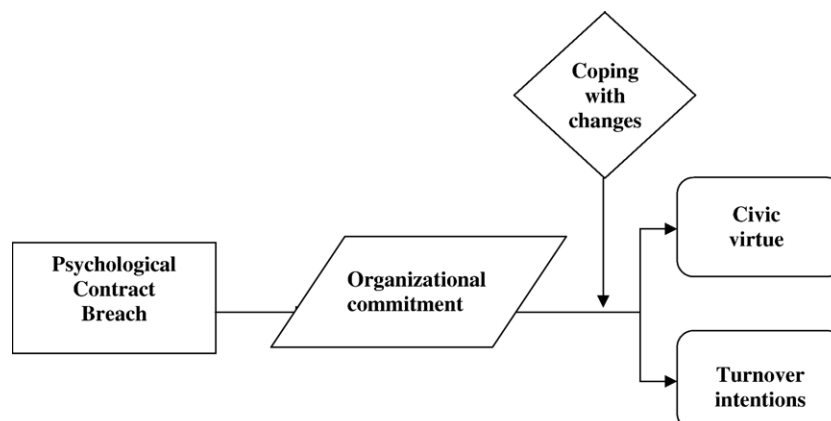


Fig. 1. Hypothesized relationships among psychological contract breach, civic virtue, turnover intention, commitment, and coping with changes.

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