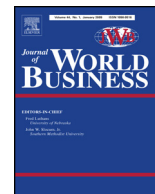




Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb



How do Chinese employees react to psychological contract violation?

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ARTICLE INFO

Article history:

Received 12 October 2015

Received in revised form 23 July 2016

Accepted 26 July 2016

Keywords:

China

Foxconn

Psychological contract

EVLN model

Emotions

ABSTRACT

Psychological contract violation (PCV) is employee negative emotions aroused by employers not delivering their promises. Past studies have used Social Exchange Theory to explain the effects of PCV on employee responses specified in the EVLN (i.e., Exit, Voice, Loyalty and Neglect) model. The present study argues that Activation Theory may also be applied to explain employee responses to PCV for Chinese employees due to the specific role of emotions in Chinese culture. Both theories receive some supports in a Chinese employee sample (n = 439). Results and implications are discussed.

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1. Introduction

Taiwan's Foxconn is the world's largest contract electronics manufacturer, employing over one million, and supplying products to many major firms such as Apple and Dell. Starting in 2010, Foxconn drew considerable unwanted media (and research) attention because of a series of "sudden" suicides by workers in their massive south China production facilities (Xu, 2010). One reason given for this tragic and difficult state of affairs was that front-line production workers expected that a large and famous organization like Foxconn would treat them very well, with the reality turning out to be a lot different. Worker stress in China was thought to be increasing with the slowing of the economy and reduced labor flexibility (Bruton, Ahlstrom, & Si, 2015; Piazza, 2014). And Foxconn proved to be a very demanding employer – much different from the state firms or rural enterprises that many of its employees were accustomed to (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Southern Weekly, 2010). In academic terms, they may have believed their psychological contracts were not fulfilled and it is likely that some workers became depressed or overwhelmed by the difficult and demanding electronics manufacturing work coupled with Foxconn's unrelenting work rules and overtime requirements (Bloomberg News, 2012).

Psychological contracts are "individual beliefs shaped by the organization, regarding the terms of an exchange agreement

between individuals and their organization" (Rousseau, 1995; Rousseau, 1995: 9). When employees perceive that contracts are not fulfilled, psychological contract breach (PCB – a cognitive evaluation of the extent to which the employer does not fulfill its promises) occurs. Negative emotions such as anger are likely to follow which is in turn called psychological contract violation (PCV) (Morrison & Robinson, 1997), which can in turn be followed by other negative acts or impulsive acts such as those that happened at Foxconn (Parzefall & Coyle-Shapiro, 2011; Restubog, Zagenczyk, Bordia, Bordia, & Chapman, 2015). Thus, PCV is an emotional state that is mainly comprised of negative emotions such as anger, frustration and feelings of betrayal, which can lead to a number of negative behavioral and organizational outcomes (Porath & Erez, 2007; Restubog et al., 2015).

Several researchers (e.g. McFarlane & Tetrick, 1994; Rousseau, 1995) have applied the EVLN (i.e., Exit, Voice, Loyalty, and Neglect) model to show likely behavioral responses of employees to PCV in a more systematic way. This model predicts that people may respond to difficult conditions in several different ways such as exiting the situation, voicing disagreements in an effort to change conditions, remaining loyal, and avoiding or neglecting the situation altogether (e.g. Lee & Jablin, 1992; Rusbult, Zembrodt, & Gunn, 1982; Rusbult, Farrell, Rogers, & Mainous, 1988).

Social Exchange Theory (Blau, 1964) has also been widely applied to explain the PCV-EVLN relationships. It suggests employees may engage in less productive behaviors and more counterproductive ones (Kotter, 1973; Levinson, Price, Munden, Mandl, & Solley, 1962) because this maintains a balanced exchange with their organizations if they perceive that the psychological contract had been broken (Parks & Kidder, 1994; Robinson &

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Morrison, 1995, 2000; Robinson & Rousseau, 1994; Robinson, 1996). Thus, Social Exchange Theory suggests that PCV will have a linear relationship with EVLN; this relationship has also been observed in a number of empirical studies (e.g., Si, Wei, & Li, 2008; Turnley & Feldman, 1999).

In Foxconn's case, many employees likely had very strong and negative emotions towards their demanding employer (Southern Weekly, 2010) but they chose to not express this directly to their supervisors and coworkers (Xu, 2010). Therefore, the managers reported that they did not perceive their subordinates' negative emotions, and they took no action (e.g. China News, 2010; Viticci, 2010). However, studies concerning the emotions of Chinese employees indicate that they certainly do experience negative emotions, which can lead to undesirable job outcomes (Li & Ahlstrom, 2016; Li, Ahlstrom, & Ashkanasy, 2010; Wang, Peng, Wong, & Mao, 2015). If it is true that Chinese employees do experience the negative emotions but generally do not express them explicitly, how then will they react to negative emotions? This paper seeks to understand the phenomenon of severe worker dissatisfaction and distress at Foxconn (Doh, 2015) while utilizing psychological contracts, social exchange, and related theory.

According to the cultural theory of self (Markus & Kitayama, 1991), people in Eastern cultures emphasize emotional self-control, emotional restraint, and emotional suppression, due to their major focus of interpersonal harmony. Researchers have referred Chinese as an interdependent-based culture (Bagozzi, Wong, & Yi, 1999; Wong & Bagozzi, 2005). Confucian teaching such as the famous quote by an ancient Confucian philosopher Chuang Tzu, "Virtue is the establishing of perfect harmony" reflects the commonly shared norms among Chinese people (Bond, 1993). These ideals emphasize how individual behavior in the social context is meant to maintain social harmony. As a result, emotions in such a culture tend to be limited to responses to specific events or to influence individuals instead of taking drastic action toward others (Bagozzi et al., 1999; Wong & Bagozzi, 2005). In other words, in social settings, emotions will have relatively little effect on their actions towards other parties. At Foxconn a number of suffering employees killed themselves, while others were severely injured while attempting suicide (Xu, 2010). Under pressure with strong emotional arousal, employees failed to handle their emotions in an appropriate way while management proved unable to recognize potential problems.

In addition, the EVLN model was originally proposed in response to unsatisfactory relationships (Hirschman, 1970), which is more emotional rather than calculative-rational. As Social Exchange Theory is more about balanced exchanges based on calculative-rational judgments instead of responses to emotions, it may be less adequate in describing Chinese employees' PCV-EVLN relationship. We thus propose the **Arousal or Activation Theory** (Gardner, 1986; Scott, 1966) as one possible competing explanation as we argue that the emotional reactions of Chinese employees may be less conscientious, less rational, and with fewer calculative evaluations. According to Activation Theory, individuals' reactions are activated by the stimulus and the reactions are mostly not based on careful rational and calculative evaluation of emotions. Specifically, if this theory is valid for Chinese employees, the PCV-EVLN relationship is expected to follow an inverted-U curve instead of a linear function.

This study can contribute to an understanding of psychological contract violation and its difficult effects on employee relations in several ways. First, we examine the same phenomenon employing both Social Exchange and Activation Theory to determine which theory is more applicable among Chinese PCV-EVLN relationship. Second, we can develop more insights about the forms of Chinese employees' reactions when they experience strong and negative emotions. This also contributes to the emerging literature on

emotions and decision making in Asia (Li, 2011; Li, Ashkanasy, & Ahlstrom, 2014). Indeed, in the increasingly turbulent business environment, understanding and managing emotions are important as organizations struggle with stressful events and seek to make intelligent and well-considered decisions (Li et al., 2014). Such understanding can also provide managers with more insights concerning how to deal with Chinese employees' emotions at the workplace so that the tragic events at Foxconn will not be repeated. We organize the rest of the paper as follows. We first review the literature of PCB, PCV and the EVLN model in more details. Based on Social Exchange and Activation Theories, competing hypotheses about the impact of PCV on Chinese employee EVLN are derived from the two theories. An empirical study using a sample of 439 Chinese school teachers in Macau is reported and implications for research and management are discussed.

2. Understanding psychological contracts

The legal foundation of an employment relationship is a binding contract that specifies the obligations and rights of both the employer and the employee. And in most countries, this contract is generally in written form. However, researchers have pointed out that both parties, especially employees, will believe that some other obligations and rights are valid although they are not spelled out in the written contract. Thus, employees will form a psychological contract that would include both written and perceived and assumed terms of an exchange agreement between individuals and their organizations.

Early research on psychological contracts focused on the formation of contracts (e.g., Rousseau & Greller, 1994; Rousseau & Parks, 1992) and the consequences when employees believe that the contract was not fulfilled. Morrison and Robinson (1997) pointed out that there should be two distinct concepts that emerge when the psychological contract is not fulfilled. The first concept is the perception that one's organization has failed to fulfill one or more obligations composing one's psychological contract, which is cognitive in nature, reflecting a mental calculation of what one has received relative to what one was promised, that is, PCB. The second concept is the emotional and affective state as "feelings of betrayal and deeper psychological distress . . . the victim experiences anger, resentment, a sense of injustice and wrongful harm" (Rousseau, 1989: 129), that is, PCV. In other words, PCV is an emotional state that is comprised of strong and negative emotions such as anger and frustration (Restubog et al., 2015). Some studies have confirmed that PCV is the more immediate antecedent of job outcomes in the way that it would mediate the effect of PCB on employee reactions (Cassar & Briner, 2011; Morrison & Robinson, 1997; Raja, Johns, & Ntalinais, 2004; Suazo, 2009; Suazo, Turnley, & Mai-Dalton, 2005).

3. The EVLN model

Proposed by Hirschman (1970), the EVLN model predicts what individuals do when they feel unsatisfied with organizations and government. If dissatisfied, members may either leave the job and the firm (Farrell, 1983) or seek a transfer within the same organization (Todor, 1980). The "painful decision to withdraw or switch" (Hirschman, 1970: 81) requires considerable effort by an employee and usually means that they have given up hope of any improvement. Voice is defined as any attempt to express concerns verbally for change, rather than simply leaving the field. It is a legitimate recuperative mechanism emphasizing the repair of deteriorating conditions while it is also an expression of negative emotions. Loyalty is another option of dissatisfied employees. They stick with the firm for a period of time painfully, rather than exiting or giving voice to concerns. They "suffer in silence, confident that

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