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Psychological contract breach's antecedents and outcomes in salespeople: The roles of psychological climate, job attitudes, and turnover intention☆

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ABSTRACT

Salespeople develop expectations of their organization based on actual and perceived promises. When the organization does not fulfill these promises, psychological contract breach occurs. This study investigates the association between psychological climate aspects, psychological contract breach, job attitudes (job satisfaction and organizational commitment), and turnover intention in salespeople. Using a sample of 308 respondents, results indicate that (1) psychological climate dimensions of autonomy, involvement, performance feedback, and clarity of organizational goals affect psychological contract breach, (2) psychological contract breach mediates the impact of autonomy, involvement, performance feedback, and clarity of organizational goals on job attitudes, and (3) job attitudes mediate the impact of psychological contract breach on turnover intention. Findings support psychological contract breach as a critical framework for understanding salesperson–employer relationships.

1. Introduction

The direct costs associated with salesperson turnover, including hiring and training of a new salesperson, is approximately 200% of their salary (Griffeth & Hom, 2001). Moreover, the indirect costs of salesperson turnover may be substantially greater (Boles, Dudley, Onyemah, Rouziès, & Weeks, 2012). After all, buyer–seller relationships are more strongly tied to salespeople than the selling company (Palmatier, Scheer, & Steenkamp, 2007), new salespeople need time to develop relationships with buyers to generate revenues (DeConinck & Johnson, 2009), and employers exhibiting sustained high turnover rates find it difficult to attract new applicants due to social network effects (Dudley & Goodson, 1988). Consequently, insights gleaned by managers from the substantial industrial marketing literature (DeConinck & Johnson, 2009; Plouffe, Williams, & Wachner, 2008; Lewin & Sager, 2010) examining predictors of salesperson turnover has likely contributed to increased revenues and lower costs for many organizations. However, as Boles et al. (2012) underscore, "while the turnover literature in general has become fairly well developed … there is still much to be learned, and research on sales turnover in particular could benefit by considering some of the recent methodological and theoretical advances in psychological, economic, and organizational theory," (pg. 132). One such advancement is the psychological contract framework (Rousseau, 1989).

Psychological contracts play an important role in understanding and effectively managing employee attitudes and behaviors. The psychological contract framework is based on the underlying notion that employees expect their organization to meet a large number of wide-ranging obligations as part of the official and unofficial employee–employer contract (Deery, Iverson, & Walsh, 2006; Morrison & Robinson, 1997; Rousseau, 1989). When employers fail to fulfill those obligations, psychological contract breach occurs. Psychological contract breach is acknowledged to have unfavorable consequences on a range of employee attitudes and behaviors such as diminished job satisfaction (Dupré & Day, 2007; Johnson & O'Leary-Kelly, 2003), diminished organizational commitment (Ito & Brotheridge, 2005; Raja, Johns, & Ntalianis, 2004), diminished customer-oriented (Bordia, Restubog, Bordia, & Tang, 2010) and coworker-oriented (Chen, Tsui, & Zhong, 2008) citizenship behavior, augmented absences (Deery et al., 2006) and turnover intention (Raja et al., 2004; Zhao, Wayne, Glibkowsky, & Bravo, 2007), amongst others. Given that lower levels of job satisfaction (Ladik, Marshall, Lassk, & Moncrief, 2002; Singh, Verbeke, & Rhoads, 1996) and organizational commitment (Rutherford, Boles, Hamwi, Madupalli, & Rutherford, 2009) yield increased salesperson turnover intention, understanding factors that influence these job attitudes is critical to building and maintaining high performing sales forces.

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The overwhelming majority of research examining psychological contract breach focuses on its adverse outcomes. This is unfortunate because sales managers must also understand both (1) antecedents of psychological contract breach and (2) psychological contract breach as a process through which organizationally-related variables impact salesperson outcomes to limit the development of psychological contract breach and its adverse consequences. Early work positions employee perceptions of the work environment (i.e., psychological climate)—perceptions repeatedly linked to employee job satisfaction and organizational commitment (Brown & Peterson, 1993; Parker et al., 2003)—as instrumental to explaining psychological contract breach (Guest, 1998, 2004). It proposes that the work environment plays a facilitating role in meeting the many obligations employees expect of their employer. The extent with which salespeople perceive obligations to be met seemingly explains, to a large extent, both why and how organizationally-related variables, such as psychological climate, affect job attitudes and turnover intention.

The importance of examining the role that psychological contract breach and perceptions of the work environment play in shaping salesperson attitudes and turnover intention is underscored by the growing consensus (Blocker, Cannon, Panagopoulos, & Sager, 2012; Bradford et al., 2010; Evans, McFarland, Dietz, & Jaramillo, 2012; Ingram, LaForge, Locander, MacKenzie, & Podsakoff, 2005; Jones, Brown, Zoltners, & Weitz, 2005; Leigh & Marshall, 2001; Plouffe & Barclay, 2007) that the nature of the business-to-business salesperson role is in the midst of substantial change. Developing and managing customer relationships in an increasingly complex marketplace ever more emphasizing the identification and implementation of novel customized solutions to strategically co-create value (Blocker et al., 2012; Dixon & Tanner, 2012; Esper, Ellinger, Stank, Flint, & Moon, 2010; Vargo, Wieland, & Akaka, 2015) is placing new demands on modern salespeople (Evans et al., 2012; Ingram et al., 2005; Leigh & Marshall, 2001). These new demands include responding to increased shifting of customer demands, coordination over the delivery of goods and services (Sheth & Sharma, 2008), rates of product/service offerings, technological changes, and competitive activity amongst others (Jones et al., 2005). In responding to these demands, salespersons must increasingly navigate and proactively manage internal resources (Bradford et al., 2010; Plouffe & Barclay, 2007; Plouffe, Sridharan, & Barclay, 2010), leverage feedback and coaching of sales managers to overcome skill and ability deficiencies (Ingram et al., 2005), and understand and respond to broader firm financial and behavioral performance expectations (Ingram et al., 2005; Geiger & Guenzi, 2009). Hence, the work environment plays a critical role in facilitating the salespersons ability to meet new demands introduced by the increasingly complex marketplace. Furthermore, because psychological contracts are continuously updated and monitored (Morrison & Robinson, 1997; Ng, Feldman, & Lam, 2010), these new demands may affect salesperson expectations of what their organization is obligated to fulfill (i.e. resources, support, rewards, etc.), as well as to what extent it has fulfilled obligations.

To further aid understanding of psychological contract breach in the sales context, this study is organized around two primary purposes. One purpose is to examine the role of psychological climate dimensions (specifically, autonomy, involvement, performance feedback, and clarity of organizational goals) as predictors of psychological contract breach. This provides a foundation to understand the facilitating role of salespeople's perceptions of organizational structure, processes, and events in meeting organizational obligations to salespeople. As such, insight regarding the role, magnitude of impact, and predicative ability of these psychological climate dimensions with respect to psychological contract breach is provided. This knowledge is important for organizations when structuring the work environment to facilitate meeting salespeople's expectations.

The second purpose is to explore the mediating role of psychological contract breach in explaining why and how psychological climate influences salespeople's job satisfaction and organizational commitment. This focus positions psychological contract breach as a critical mechanism for understanding why and how organizationally-related variables, such as psychological climate, influence salespeople's attitudes which influence turnover intention. Such understanding is valuable to organizations and researchers alike, because insight into causal processes yields more fixated and transparent understanding of relationships and implications. Therefore, organizations can more carefully structure various organizational aspects, such as the work environment, to facilitate desired outcomes in its salespeople. For these reasons, furthering practitioner understanding of these relationships is critical to building and maintaining high performing sales personnel. Shown in Fig. 1 is the conceptual model.

2. Background

2.1. Psychological contract

The psychological contract receives substantial researcher interest, owing to the psychological contract being increasingly perceived as a critical framework for understanding employee–employer relationships (Kiewitz, Restubog, Zagenczyk, & Hochwarter, 2009; Zhao et al., 2007). *Psychological contracts* are a "set of beliefs about what each party is entitled to receive, and obligated to give, in exchange for another party's contributions" (Morrison & Robinson, 1997, p. 228). Psychological contracts are typically conceptualized and examined from the employees perspective (Morrison & Robinson, 1997). Psychological contracts are based on actual and perceived promises made by organizational representatives, documents, patterns of past exchange, observation of others exchanges, as well as assumed factors such as good faith or fairness (Chen et al., 2008; Lester, Turnley, Bloodgood, & Bolino, 2002; Kiewitz et al., 2009). Hence, these promises do not need to be written, spoken, or otherwise made explicit; rather they can be inferred (Montes & Zweig, 2009). Such actual and perceived promises occur during recruitment, interviews, personnel policies, organizational practices, performance appraisals, amongst other day-to-day occurrences (Deery et al., 2006). Thus, psychological contracts are subjective, continuously modified, and composed of shared and unique expectations (Deery et al., 2006; Ng et al., 2010).

The set of beliefs regarding the employee–employer exchange are conceptualized to include the nature of the job, resources available, support, scope of responsibility, self-management of change (e.g., input and advanced notice of change), nature of coworkers, job security, benefits, pay, and recognition amongst others (Lambert, Edwards, & Cable, 2003; Lester et al., 2002; Robinson & Rousseau, 1994). *Psychological contract breach* "refers to the cognition that one's organization has failed to meet one or more obligations within one's psychological contract" (Morrison & Robinson, 1997, p. 230). Given the subjective nature of the psychological contract, one or more obligations almost always go unfulfilled (Deery et al., 2006; Rousseau, 1989). An example of psychological contract breach shared by a mid-career salesperson for a large publicly owned company in the wholesale trade industry focuses on territory re-allocation. After exceeding annual revenue and profit quotas, the salesperson was informed by their manager that their territory would now be divided in half and that annual revenue and profit quotas would remain the same. This salesperson expressed that they felt their organization neglected to provide advanced notice that territory re-allocation was a possible outcome of exceeding expectations, and hindered the salesperson's future earning potential. Soon afterward, this salesperson accepted a job offer made by one of the organization's competitors.

2.2. Psychological climate

Psychological climate refers to an individual's meaningful perception of organizational structure, processes, and events (James, Hater,

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