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EMPLOYEE COMMITMENT IN TIMES OF RADICAL CHANGE: FURTHER EVIDENCE OF A CHANGING PSYCHOLOGICAL CONTRACT

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Abstract

This paper explores the changing nature of commitment as reported by professional employees in work environments characterised by radical organisational change. During 1998, interviews were conducted with full-time managers, technicians, and team leaders in five organisations undergoing downsizing and restructuring in the Latrobe Valley, Victoria. To understand and explain the changing nature of employee commitment, findings are situated in the context of job insecurity, work intensification, and perceived organisational support: core dimensions of the psychological contract (Brooks & Harfield, 2000; Cavanaugh & Noe, 1999; Lester, Claire, & Kickul, 2001). Findings reveal clear differences between employees (i.e., change recipients) and managers (i.e., change implementers) with respect to perceived job security, recognition, feedback, and acceptance. Employees referred to their organisations in abstract, impersonal terms signifying a weak relational contract between employee and employer. Managers referred to their organisations in warm, personal terms signifying a strong relational contract at work. These differences translated into low and high levels of affective commitment respectively. To conclude, the paper considers organisational processes that can maintain and/or renew employee commitment in the context of radical change.

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INTRODUCTION

Australian work organisations are currently undergoing a period of massive upheaval and change as they respond to global competition and increased stakeholder pressures to reform their structures, lower their costs and achieve greater administrative efficiency. In response to these pressures and perceived threats, senior executives in Australia have embraced downsizing (i.e. reducing numbers of employees) and delayering (i.e. removing excess layers of management) strategies aimed at reducing labor costs and improving customer service (Cave, Buffini, & Evans, 2001; Littler, Dunford, Bramble, & Hede, 1997). The announcements of impending job losses and intentions to restructure are often greeted by market analysts as positive signs of vigorous capitalism at work (Sennett, 1998). For example, the announcement of plans to cut 1,500 jobs from the St George Bank (Mellish, 2000:5) and 15,800 from Honeywell International (Australian, 2001:27) were accompanied by rises in the share prices of each company respectively.[1] It seems to satisfy shareholder perceptions and profit demands, firms must be seen to cut out inefficient fat from their businesses - the "organisational equivalent of a purging laxative: unpleasant, but good for you" (Connors & Long, 2002:1).

Downsizing and restructuring often signals a major change in the employment relations compact (Burack & Singh, 1995). As organisations downsize and delayer their structures, employees are expected to be flexible and take care of their own employability and career development (Hiltrop, 1996; Herriot & Pemberton, 1996, 1997). In return, the organisation provides employees with the tools and opportunities for assessing and developing their skills such as training courses and mentors (Rousseau, 1996). Employees that accept this *new deal* (Cappelli, 1999) as a satisfactory exchange between themselves and the organisation may be intrinsically motivated by such *opportunities* and hence more committed to their work and organisation (Freese & Schalk, 1996; Kissler, 1994). Employees who do not accept the validity of such contracts are more likely to construe such changes as a violation of employer obligations (Morrison & Robinson, 1997) and reduce their levels of organisational commitment and citizenship behaviour accordingly (Lester, Turnley, Bloodgood, & Bolino, 2002; Coyle-Shapiro & Kessler, 2000). Hence, a crucial issue for employers is to understand how to maintain the commitment of employees when making changes to key areas of the employment relationship (Baruch & Hind, 1999; Hiltrop, 1995, 1996).

This paper explores the changing nature of commitment for professional employees in work environments characterised by radical change. Radical change is conceived in terms of a fundamental change in the way employees "perceive, think and behave at work" as a result of downsizing and/or restructuring (Waddell, Cummings, & Worley, 2000:432). To understand and explain possible changes in employee commitment, findings are situated in the context of a changing psychological contract (Brooks & Harfield, 2000; Cavanaugh & Noe, 1999; Lester et al., 2001). The psychological contract of employees is regarded as a key construct in the relationship between perceived organisational change and employee attitudes in organisations (see Schalk, Campbell, & Freese, 1998). Thus, the extent to which employees exhibit different forms of commitment at work will depend upon how employees construe the nature of their psychological contracts under varying change conditions.

The paper begins with a brief review of the psychological contract and employee commitment literature. Next, the paper describes the study setting and methods. Key change findings are then situated in the context of job security, work intensification, and perceived organisational support. To conclude, the paper discusses the implications of study findings and considers organisational processes that can maintain or renew employee commitment in the context of radical change.

LITERATURE REVIEW

The Psychological Contract

Although most researchers agree that the psychological contract is essentially an exchange relationship between the employer and employee, there is vigorous debate in the literature as to the appropriate levels of psychological engagement (see Guest, 1998 and Rousseau, 1998 for the dialectic exchange). Advocates of a broad, multi-level approach to concept measurement emphasise the need to consider the expectations and obligations of both the organisation and the employee in framing psychological contracts (Herriot, Manning, & Kidd, 1997). Only then can researchers determine whether there is agreement or disparity of opinion between the two parties (Anderson & Schalk, 1998:639). By examining contracts at the individual and organisation levels, researchers have explored new employment relationships such as the process of contracting (Herriot & Pemberton, 1996) and the delivery of new deals at work (Herriot & Pemberton, 1997).

Rousseau (1995, 1998) and her followers assert that psychological contracts are formulated solely in the minds of individuals and as such they reflect individual beliefs, shaped by the organisation, regarding terms of an exchange between individuals and their organisation. From a psychological viewpoint, the psychological contract is dependent on "promises, reliance, acceptance, and a *perception* of mutuality" between employee and employer (Rousseau, 1995:22). Since the contract concerns mutual expectations based on perceived promises and/or obligations, the contract is open to re-evaluation and/or revision as radical changes in working relationships between employers and employees occur (Herriot et al., 1997; Lester et al., 2001). In this paper we use the term in a similar vein to help "frame a discussion of individual responses to organizational change" (Brooks & Harfield, 2000:93).

Transactional and relational contracts have been distinguished in the extant literature (Herriot et al., 1997; Morrison & Robinson, 1997; Rousseau, 1990). Transactional contracts entail short-term monetary exchanges, such as salary in return for job tasks performed by the employee and require limited involvement by the organisation and employee. In contrast, relational contracts involve broad, long-term obligations and are based on socio-emotional elements such as trust, commitment, loyalty, and perceived organisational support (Cavanaugh & Noe, 1999; De Meuse, Bergmann, & Lester, 2001; Rhoades, Eisenberger, & Armeli, 2001). A balanced transactional or relational contract reflects a "strong social exchange in which the employee perceives that they owe the organization a great deal (i.e., they feel highly obligated to fulfil a wide variety of contract terms) and that the organization is also highly obligated to them" (Shore & Barksdale, 1998:734).

Employee Commitment

Over the last three decades, a significant amount of research has been conducted on the topic of employee commitment in relation to the organisation (Mathieu & Zajac, 1990; Meyer & Allen, 1997; Morrow, 1993; Mowday, Porter, & Steers, 1982; Reichers, 1985). The need to discover how to build a committed employee for the benefit of the organisation can be seen in the dominance of psychological models of commitment (Brewer, 1994). Thus, managers have been encouraged to conceptualise commitment in terms of two psychological states that link the employee with the organisation: attitudinal and behavioural commitment (Mottaz, 1989).

Attitudinal or *affective* commitment represents a state of psychological attachment in which an "individual identifies with a particular organisation and its goals and wishes to maintain membership in order to facilitate these goals" (Mowday, Steers, & Porter, 1979:225). Hence, attitudinal commitment signifies an emotional tie to an organisation, an expressed willingness to contribute to the organisation's present activities and future development (i.e. a relational contract). Behavioural or *continuance* commitment reflects more the processes or actions by which individuals link themselves to an organisation and continue to make contributions on the organisation's behalf. The relationship between effort, performance and outcomes is the cornerstone of behavioural commitment. For example, individuals are motivated to perform tasks and exert work effort (i.e., behavioural commitment) when they expect rightly, or wrongly, that rewards will follow

(Vroom, 1964). Thus, intentions to stay with an organisation are strongly affected by perceived organisational rewards and the financial costs of quitting (i.e., a transactional contract).

STUDY SETTING

The study setting was the Latrobe Valley, a region situated approximately 160 km east of Melbourne in the state of Victoria. For many years, the State Electricity Commission of Victoria (SECV), a wholly State-owned monopoly comprising power generation and distribution, had been the main employer and source of economic growth in the Valley (Kazakevitch, Foster, & Stone, 1997). As the dominant employer, the SECV instilled in its workers a strong sense of job security (Proctor, 2001). But in 1989, the State government decided to reform the SECV by restructuring operations and downsizing the workforce.[2] As a result of the downsizing and the establishment of privately owned generating companies, a considerable migration out of the Latrobe Valley has taken place with many people moving interstate (Kazakevitch et al., 1997).

Five organisations (i.e., three engineering companies, one power station, one government department) participated in the study on the basis of their geographical location and past or current experiences of restructuring and/or downsizing. Three small sized engineering companies, ranging from 20 to 50 employees each, were former departments within the SECV and existed now as outsourced private companies. The power station (approximately 500 employees) had been through a process of major downsizing and restructuring before its eventual privatisation. The government department (approximately 200 employees) was in the middle of a major restructuring/downsizing process with many positions, especially managerial, being downgraded or made redundant.

Method

Semi-structured interviews of approximately 1-hour duration were conduced with nineteen (13 male, 6 female) full-time respondents.[3] Respondents were asked to comment on their experiences of commitment in the workplace rather than assume employees were simply committed to the organisation (Weiner, 1982). Interviews were read, transcribed and coded using NUDIST (Non-Numerical Unstructured Data by Indexing, Searching and Theorizing) text-analysis software (Richards & Richards, 1997).

Ten respondents identified themselves as managers (9 males, 1 female) and nine (4 male, 5 female) as skilled workers (i.e. supervisor, team leader, technician). Thirteen respondents, across all of the organisations, were ex-SECV employees. In terms of age, the sample was diverse with two respondents aged in their 20's (2 technicians), ten in their 30's (6 managers, 1 team leader, 1 supervisor), four in their 40's (2 managers, 2 technicians), and three in their 50's (2 managers, 1 technician).

FINDINGS

Change and Job Security

> I don't think there's really any true job security these days. No one's secure in their jobs like they used to be… I think it's just something that we accept today. (Female, Technician, Small Engineering Organisation)

> It's no different wherever you go. You could be jumping from one set of problems to another. (Female, Team Leader, Government Department)

> The reality is now in any job there is no such thing as job security (Male, Manager, Government Department)

> The only guarantees you've got are the ones that you make yourself. (Male, Senior Manager, Small Engineering Organisation)

Job security was the single most important factor to Latrobe Valley respondents. Fourteen of the 19 respondents expressed a constant "fearful expectancy" of their own positions in the organisation (Kets de Vries & Balazs, 1997:27). Some respondents, with less desirable sets of skills and lower status in the organisational hierarchy, expressed the view they were nothing more than 'numbers', a means to an end for their organisations:

> I didn't win the job, so I'm back to square one. No career path. I haven't got a job specification. I'm nothing! All I am on the books is [Howard Martin]. Nothing! Not a supervisor, no career path, no education, that's it! I'm just a number! (Male, Technician, Power Station)

More senior respondents, with developed skill sets, although acknowledging the prevalence of job insecurity 'felt more in control' of their destinies and not 'scared now to move on to another company':

> … I've had a look in the market place at other jobs and I believe I'm pretty capable of getting another job. My qualifications and my experience I think hold me in good stead to get other positions, and I just don't have that fear anymore. (Male, Manager, Small Engineering Organisation)

Change and Work Intensification

> …as time goes on we've been asked to do more and more and more … our job's sort of become more involved … there's more pressure and we're all downsized, but we still do the same amount of work… so everyone's feeling that extra pressure. (Female, Team Leader, Government Department)

> … most people here, if you ask them how they felt now compared with four or five years ago, even though you were frantically busy four or five years ago, would say there's sort of just subtle pressures all the time… about cost squeezes, and just little things that sort of indicate that, no matter how well you're performing, life is just not gonna be very comfortable. The way it is at present, I wouldn't stay here longer than three or four years. (Male, Technician, Small Engineering Organisation)

James (1997:305) argues a "modern intensification" occurred in many workplaces during the 1990's as employees were expected to "work longer hours and under more pressure". Most of the Latrobe Valley respondents indicated this was happening in their organisations (17 of the 19 respondents indicated pressures to perform at a high level was a constant source of frustration). One Senior Manager likened work to a huge container: 'it doesn't matter how many jobs you pull out of it, there always seemed to be a great excess left behind'. Another respondent, a Team Leader, agreed stating: 'it doesn't matter how hard you work you just don't get anywhere'.

Change and Perceived Organisational Support

Responses from *change recipients* and *change implementers* indicated a divergence in viewpoints with respect to roles in the change process, perceived organisational support and affective commitment (Kanter, Stein, & Jick, 1992). At the bottom of the organisation, *change recipients* were strongly affected by radical change but had little opportunity to influence change decisions and/or mitigate its effects. These respondents referred to their organisations in abstract, impersonal terms (i.e., 'I'm just a number') signifying weak relational contracts with their organisations. Low levels of recognition and job feedback from management reinforced feelings of unimportance:

> No one has ever said 'you're doing a good job'. No one's ever sat down and said 'I actually expect you to do this', or given any feedback at all about whether we're doing a good job. If you do a good consistent job and you actually achieve the ends, nobody comes back and says that was good, you tend to get ignored. (Male, Supervisor, Power Station)

Fourteen of the 19 respondents felt their organisations were not adequately committed to them, were too focused on 'the money' and, consequently, treated them poorly. Employees reported they felt they continually *put in* but did not get any *value returned* by the organisation in terms of recognition, feedback

and rewards (Brooks & Harfield, 2000). According to organisational support theory (Eisenberger et al., 1986; Rhoades et al., 2001), employees reciprocate perceived unfavourable treatment with an expressed unwillingness to care about the organisation's welfare and/or help the organisation reach its goals.

Conversely, *change implementers*, all of which were managers, mentioned feeling 'part of the family' and valued by their organisations. These respondents spoke very highly about their organisations and the *personal* relationships they had developed at work. Underscoring each of these narratives was a strong sense of commitment reciprocity:

> I always defend the organisation at times and … I think I'm pretty flexible to come in and do stuff and help them out… mainly because I think I just get a bit in return. I think it's a good place to work. (Male, Manager, Power Station)

> I think the other directors are committed to me… I've been re-elected to the board… I've got respect in the organisation. So I think it's very high. (Male, Manager, Small Engineering Organisation)

> I think I'm well regarded in the organisation. They allow me a fair bit of latitude… they seem to rely on me for my expertise… I've got any amount of flexibility that I need… (Male, Manager, Government Department)

Comments here suggest commitment is a function of a person's psychological attachment to the organisation or entity that provides recognition, feedback and acceptance. It is this stimuli, or lack of it, that makes an individual feel important (not important) and/or valued (worthless). Feeling valued and 'part of the family' (i.e., core group) or devalued and 'just a number' (i.e., non-core group) is a psychological state that results in high and low levels of commitment respectively. Figure 1 illustrates these attachment-commitment linkages from both an organisation and employee perspective.

Figure 1: Psychological Attachment and Commitment: Organisation and Employee Viewpoints
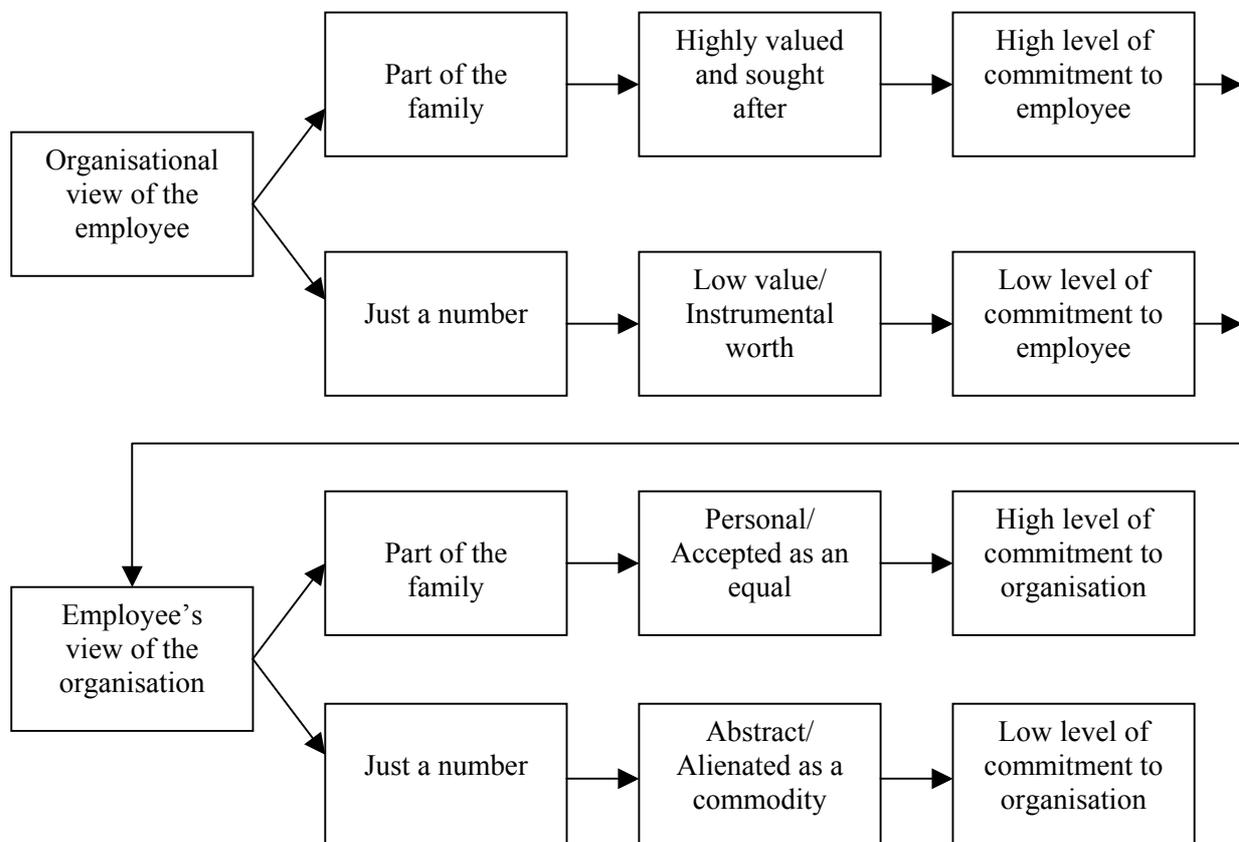
CONCLUSION

In this paper we have highlighted clear differences between *change recipients* and *change implementers* with respect to the nature of their psychological contracts and their levels of affective commitment respectively. At lower levels of the organisation, technicians, team leaders and supervisors reported high levels of job insecurity and weak relational contracts with their organisations. At this level, employees reported they continually 'put in' but did not see any 'value returned' in terms of recognition, feedback, or personal consideration (i.e., low levels of perceived organisational support). Unable to influence change decisions outside of their control, and hence derive a sense of psychological ownership of the change process (Dirks, Cummings, & Pierce, 1996), *change recipients* expressed weak levels of affective commitment. Managers on the other hand, in their roles as *change implementers*, felt more secure at work and valued by their organisations. Strong personal relationships with key individuals in the organisation created a sense of being 'part of a family' and not 'just a number'. Comments suggest perceived personal consideration at work accounted for higher levels of morale and affective commitment amongst managers.

Since job insecurity is primarily a perceived phenomenon (Dekker & Schaufeli, 1995), it is reasonable to conclude that employees and managers will differ in the way they construe job insecurity and behave in the organisation. Findings suggest managers are able to effectively manage their emotional reactions to job insecurity and adopt perspectives that "ameliorate the effect of job insecurity on their affective commitment" (Jordan, Ashkanasy, & Härtel, 2002:367). That is, managers may see it in their personal interests to suppress their feelings of insecurity and reframe (Bartunek, 1988) the psychological contract in terms of being responsible for one's own employability and career development (Herriot & Pemberton, 1996). In this case, managers are more likely to attribute psychological contract breach to "situations beyond the organization's direct control" and thus maintain affective commitment to the organisation for the duration of their employment (Lester et al., 2002:39). Conversely, employees are more likely to attribute job insecurity to situations where employers intentionally break promises with employees because they are unwilling to fulfill them (Morrison & Robinson, 1997). In response to perceived reneging, employees shift their commitment away from the organisation and towards other entities such as their jobs, careers, friends and families (Schellenberg, 1996).

So how can managers maintain or renew employee commitment when job security is no longer a valid concept (Baruch & Hind, 1999) and job insecurity is associated with reduced trust of the organisation by employees (Coyle-Shapiro & Kessler, 2000; Herriot, Manning, & Kidd, 1997; Smithson & Lewis, 2000)? Our view is there is no one thing a manager can do to maintain or renew commitment in the workplace. Employee commitment is embedded in a social context, an organisational culture that encourages and/or constrains commitment.[4] Open and honest communication and individual support are perhaps the most important social processes for fostering trust and reciprocity in organisations (Hiltrop, 1996; Lester et al., 2001). That is, employee commitment is likely to be strong in organisations where people are kept informed, taken into confidence, feel important, and treated with respect. Employees will also express strong affective commitment when they feel the organisation recognises their individual contributions and achievements. Such feedback and consideration demonstrates a strong relational contract between employer and employee (De Meuse et al., 2001). Affective commitment is weakened when employees feel what they value (and work towards) is not valued (and recognised) personally by their employers.

To conclude, human resource managers should consider the emotional capacity of employees to deal with job insecurity and work intensification in a climate of radical change. Because psychological contracts are by definition voluntary, subjective, dynamic and informal, it is important HR managers find out "what the expectations of employees are, how these expectations have been created, and what his or her role has been in the process of psychological contract making" (Freese & Schalk, 1996:507). This means meeting regularly with individuals or groups of employees who have been severely affected by radical change and communicating how the organisation is trying to meet their multiple needs and promises. Counselling, coaching and mentoring arrangements can be utilised to mitigate the adverse effects of 'survivor syndrome' (Baruch & Hind, 1999) and thus help long-serving employees deal with job insecurities and increased responsibilities at work (Sahdev, 1998). Finally, commitment findings from this study suggest that it is critical for individuals in organisations to understand the need for radical change. By sharing a broad array of financial and business performance information across all levels, managers may be in a better position to

explain why psychological contract obligations are negatively impacted by factors beyond their direct control.

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ENDNOTES

1   St George shares rose 31c and Honeywell's share price rose $US3.04.
2   According to Birrell (2001:i), in 1989 "around 10,400 of the 22,000 persons employed by the SECV worked in the Latrobe Valley". By 2001, only around "2,600 persons [were] employed in the same functions (including the privatised power companies and contractors for their maintenance and other service needs)".
3   No part-time or casual employees were included in the research as it was thought these groups of employees would have different types of commitment compared to their full-time colleagues (see Robbins, Millet, Cacioppe, & Waters-Marsh, 1998:187).
4   The following discussion assumes a people-oriented culture exists in the organisation.

} Winter, RP & Schmuttaermaier, J 2002, Employee commitment in times of radical change: further evidence of a changing psychological contract. in P Ross, M Lyons, C Allan & K Townsend (eds), Employment relations theory, strategy and practice: the challenges for the 21st century. vol. 2, International Employment Relations Assoc., Broadway NSW, pp. 792 - 805, International Employment Relations Association Conference 2002, Broadway NSW, 1/01/02.
Employee commitment in times of radical change: further evidence of a changing psychological contract. / Winter, Richard P; Schmuttaermaier, John Primarily the term Psychological Contract focuses more on the dynamics of a relationship between the employer and the employees, is concerned with the mutual expectations in relation to the inputs and the outcomes. In one of the definitions of Psychological Contract, more focus is laid on what the employer owes to their employees. It has been defined as "the mutual perceptions of the employers and the employees regarding their mutual obligations at work towards each other". Seek employee involvement in the entire process of implementation of change. Make them own the change for involving them actively in the whole process. Communicate regularly with the employees and share crucial information with them on a regular basis.