

“Impact of organizational restructuring on psychological contract breach and attitudes of employees working in private commercial banks of Pakistan”

Thesis Directors

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List of Abbreviations

PC:	Psychological Contract
PCB:	Psychological Contract Breach
OID:	Organizational identification
AET:	Affective Events Theory
REST:	Restructuring
TRNI:	Turnover intentions
LSTYLE:	Leadership style

Abstract

Organizational restructuring (merger, acquisitions and downsizing) is probably the most common strategic manoeuvres in business. Given the critical importance of human factors for their success, this study focused on two important issues. First, to explore the effects of organizational restructuring (merger, acquisition, downsizing) on psychological contract breach of employees working in private commercial banks of Pakistan and their effects on organizational identification and turnover intentions, Second, to explore the interaction effect of transformational leadership in relation between restructuring and psychological contract breach. This was a cross-sectional study in which data of 150 employees were collected from private commercial banks of Pakistan through personal and internet based surveys. Multiple hierarchical regression analyses were used to test various hypotheses designed for this research study. This study looks into the way that organizational restructuring (merger, acquisitions, and downsizing) has significant negative and equal effects on psychological contract breach, in response to that effects turnover intentions increases and organizational identification decreases. Findings of this study also highlighted that transformational leadership effectively reduces the negative effects of restructuring on psychological contract breach.

Keywords: Psychological contract breach, organizational restructuring, organizational change, organizational identification, turnover intentions

Chapter No: 1

Introduction

1.0 Chapter objectives:

The objective of the current chapter is to provide an introductory overview of master thesis. The chapter starts with introduction of psychological contract and brief review of past research studies on organizational changes and psychological contract/psychological contract breach. Next, it highlights the aims and objectives of current study with its significance in the domain of psychological contract (PC). The last part of the chapter provides details about structure of master thesis.

1.1 Psychological Contract and organizational changes

The psychological contract has become a central concept in literature on employment relationships. While written labor contracts include all kinds of explicit monetary and non-monetary employment conditions, such as wage, required hours and holiday entitlement, the psychological contract focuses on implicit and largely unspoken promises between an employer and an employee (Levinson et al., 1962; Anderson & Schalk, 1998).

Drawing on the seminal work of Argyris (1960), Levinson, Price, Munden, Mandl, and Sooley (1962), and Schein (1965), Rousseau (1995) developed psychological contract theory as a framework for understanding the employment relationship. The number of studies focusing on the psychological contract has grown tremendously during the past 15 years. Increasingly, the psychological contract is seen as an important framework for understanding the employment relationship (Shore et al., 2004; Taylor & Tekleab, 2004).

The importance of psychological contract is further manifested through its breach, in the past two decades there have been many studies on the consequences of psychological contract breach (Zhao et al 2007). 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 et al., 1994b), in-role behavior (Turnley and Feldman, 1998), and extra-role behavior (Robinson and Morrison, 1995) as well as increased turnover intentions (Millward and Brewerton, 1999).

In today's world organizations confronted with many changes in their environment, due to growing competition, globalization of markets, the introduction of new technologies, changing governmental regulations, and etcetera. In times of organizational change, psychological contracts assume an increasingly important role in employment relationships (Robinson 1996). The terms of the employment agreement are being repeatedly managed, renegotiated and altered to fit changing circumstances (Tichy, 1983). Within such a dynamic environment, organizations may become less willing and/or less able to fulfill all of their promises to employees. Non-fulfillment of promises is referred to as 'breach of contract', and evidence has been found that the majority of employees believe that their employer has breached some aspect of their employment agreement (Robinson & Rousseau 1994).

Many organizations try to cope with these developments by changing the internal organization, which means (restructuring, changes in jobs) and/or refiguring the organizational boundaries by (downsizing, merging, acquisitions). These organizational changes often have impact on the employment relationship between the employer and the employees because these changes are likely to affect what the organization will offer to the employees involved and/or what the organization expects from the employees. Many authors in Work and Organizational Psychology, and more generally across the management sciences,

have portrayed the various and deeply rooted changes to working relationships between employers and employees over recent years (Anderson & Schalk, 1998).

Several dimensions of psychological contract have been taken into account by many researchers in their studies during last two decades, in coming lines I give a brief overview of key areas that had been the matter of great interest for researchers. Past research studies have focused on the exploration of psychological contract process.

Formation and contents of psychological contract – relational and transactional – (de Vos et al., 2003, Rousseau, 1990, 1995, Thomas & Anderson, 1998).

Psychological contract breach (PCB) by the organization – employees' perceptions regarding the degree to which extent their employers have been failed to meet their promises or obligations – (Robinson and Rousseau 1994).

Psychological contract violation (PCV) perceived by employees – employees' emotional or affective actions in response to breach cognition – (Morrison and Robinson 1997).

Psychological contract violation during corporate restructuring: Managers in restructuring firms were significantly more likely to perceive psychological contract violations in the areas of job security, input into decision making, opportunities for advancement, and amount of responsibility. Managers in restructuring firms were also significantly more likely to be looking for new jobs and were significantly less likely to be loyal to their employers (Turnley and Feldman, 1998).

Consequences of breach and violation of psychological contract – changes in employees' attitudes and behaviors when they perceived that the breach of their psychological contracts has been occurred by the organization – (Morrison and Robinson, 1997; Robinson, 1996;

Tekleab and Taylor, 2003; Thomas & Anderson, 1998, Turnley and Feldman, 2000; Suazo *et al.*, 2005; Suazo, 2009; Zhao *et al.*, 2007).

The most recent research studies have explored some other dimensions in the domain of Psychological contract.

Role of personality in psychological contracts: relationship between employee's personality and psychological contract type, perception of contract breach, and feelings of contract violations (Raja *et al.*, 2004).

Role of age as moderator in relations between psychological contract breach and job attitudes: The influence of age in the relation between psychological contract breach and the development of job attitudes. The relations between contract breach and trust and organizational commitment were indeed stronger for younger workers, whereas the relation between contract breach and job satisfaction was stronger for older workers (Matthijs Bat, P *et al.*, 2008).

The brief overview of above cited past research studies on psychological contract showed that psychological contract research has received huge attention in last two decades but there are still some areas to be explored further. The current study addressed the following lacunas in the literature on psychological contract:

First, most of the research in domain of psychological contract has been conducted in Western context i.e. UK, USA, Netherlands, France, Germany, etc. There was a need to conduct an empirical study on psychological contract/psychological contract breach in Asian context. The research conducted in Western countries might not produce same results when conducted in Asian countries like Pakistan, China, Indian, Bangladesh, and Sirilanka due to differences in culture, nature of workforce, economy, socio-political conditions etc.

Second, a literature review revealed a very few studies to date that has explored the unique aspects of psychological contracts from the perspective of leadership styles, although the existing literature provides evidence that leadership is highly related to employee satisfactions and organizational effectiveness (Bateman & Organ, 1983), and employee PCs were affected by human resource activities, job security, compensation strategy, and so forth (Nee, 2000).

Third, previous empirical studies on psychological contract/psychological contract breach had been conducted with a sample of elite - MBA graduate, management professionals – population (Deery et al., 2006). This put question mark, when the findings of these studies are generalized to other sample i.e. white collar workers, the employees (professional staff) of private commercial banks of Pakistan.

1.2 Importance of Research in Psychological contract

Research into the psychological contract between employer and employees has produced a number of important messages. Despite the academic origins of the term, many managers believe that the idea of the psychological contract offer a valid and helpful framework for thinking about the employment relationship.

Basically the psychological contract offers a metaphor, or representation, of what goes on in the workplace, that highlights important but often neglected features. It offers a framework for addressing 'soft' issues about managing performance; it focuses on people, rather than technology; it draws attention to some important shifts in the relationship between people and organizations. Most organizations could benefit from thinking about the psychological contract. The first priority is to build the people dimension into thinking about organizational strategy. If people are bottom-line business drivers, their capabilities and needs should be fully integrated into business process and planning. The purpose of business strategy becomes how to get the best return from employees' energies, knowledge and creativity.

1.3 Context of study

The context of this study is private commercial banking sector of Pakistan because the banking sector in Pakistan has been undergoing major organizational changes like (mergers acquisitions, downsizing) since 1997. Now Pakistan has more than 30 private commercial banks. It becomes need of the time to conduct research study in Pakistan on employee and employer relationship due to these changes and to examine the role of those promises and obligations that employer made to the employees at the time of their selection and how do employees respond once they perceive a breach of their psychological contracts by their employer.

1.4 Research Goal, Objectives, and Question.

The goal of this research is to explore the restructuring impact of Pakistani private banks on psychological contract breach of their employees and their responses, by keeping in view the interaction effect of transformational leadership. With this research i hope to make a considerable contribution to the practical work of change managers, and HR managers of private commercial banks of Pakistan, and to provide them with more insight in how employee's responses/ attitudes are or can be influenced during restructuring.

Followings are some objectives of this study:

1. To explore the effects of psychological contract breach caused by restructuring (merger, acquisition, and downsizing) in private commercial banks of Pakistan and their effects on organizational identification and turnover intentions of their employees.
2. To explore the interaction effect of transformational leadership in relation between banks restructuring and psychological contract breach of employees working in private commercial banks of Pakistan.

Keeping into the consideration the lack of research on psychological contract breach in an Asian context, especially in terms of organizational changes, the research question central in this master thesis is:

What is the impact of Pakistani private commercial banks restructuring on psychological contract breach of their employees, what are the employee responses to these changes; How leadership plays role in this relationship.

1.5 Structure of Master Thesis:

Each chapter of master thesis begins with the chapter objectives. Chapter 1 provides an introductory overview of the existing literature on psychological contract/psychological contract breach and organizational changes. It also explains the aims and objectives of current research study. Chapter 2 gives the comprehensive literature review on the evolution of the concept of psychological contract; it deals in detail with the origin, nature, theoretical foundations, definitions and other related issues in development of the concept of psychological contract. Chapter 3 explains major organizational changes and psychological contract/psychological contract breach, role of transactional and transformational leadership. It also explains how cognition of breach of employees' psychological contracts that in turn influence on their work attitudes i.e. organizational identification and turnover intentions. The last part of this chapter deals with the development of hypotheses and research model tested in this study.

Chapter 4 deals with the design and methodology used in conducting this research study. It provides information about the nature of population sample used in this study, data collection procedure, measurement scales etc. Chapter 5 explains data analysis process and results of statistical tests used to test various hypotheses of this study. Chapter 6 is the last chapter of thesis; it's all about discussions on results of each hypothesis of this study, key findings, contribution, limitations, recommendations, and practical implications and in last but not the least conclusion.

Chapter No: 2

Evolution of the Concept of Psychological Contract

2.0 Chapter objectives

This chapter aims to achieve three objectives. First, to provide brief overview of development of the concept of psychological contract from its early beginning to the form in which it is currently being used, Second, to analyze the different frameworks for conceptualization of psychological contract i.e. psychological contract as exchange relationship and psychological contract as a mental model, Third, to provide an insight to the theoretical basis of psychological contract from social exchange theory and mental model perspectives.

2.1 Development of Concept of Psychological Contract

The development of concept of psychological contract can be divided into two parts. First part deals with the work of early theorists from 1930 to 1980, which is also known as so called “classical approach” to psychological contract. Second part deals with the “modern approach” to psychological contract that began with the publication of Rousseau’s work in 1989.

2.1.1 Early Approach (Classical Approach) to Psychological Contract

In many research publications on psychological contract, the researchers traced the origin of the psychological contract concept from the seminal work of Argyris (1960), Levinson, Price, Munden, Mandl, and Sooley (1962) and Schein (1965) (Morrison and Robinson, 1997; Robinson, 1996; Zhao *et al.*, 2007). Although the terminology “Psychological work contract” was first time introduced by Argyris (1960), but this doesn’t mean that before his work the concept of psychological contract was not existed, in fact the debate over the concept of psychological contract was began in the 1930s. Millward and Brewerton (2000) traced the roots of the concept of psychological contract through that debate and they provided a useful

summary of the relevant writings of several key theorists that contributed a lot in early development of the concept of psychological contract.

Arguably, the idea of psychological contract was appeared in Bernard (1938), according to him, psychological relations between employees and employers develop in result of explicit process of co-operative exchange between them. He also gave the vision of modern day contents of psychological contract – transactional and relational exchange – and according to him an employee is a basic strategic element for an organization, therefore, an organization could maximize the productive and cooperative contribution of an employee by offering him/her not only objective material inducements (transactional rewards) such as pay, bonuses, increment, promotion and other desirable physical conditions but also non-material inducements (non-transactional or relational rewards) such as recognition of personal ideas, social and moral support etc. He also argued that individual's acceptance of organization's authority is subjected to either, not conflicting with the individual's interests as a whole or, existing inside the individual's "zone of indifference" where it is accepted without raising questions (Barnard, 1938). Barnard's (1938) idea of cooperative reciprocal exchange process between employee and organization, covering employee's implicit expectations of both material and non-material rewards was further taken by March and Simon (1958). March and Simon (1958) introduced an inducement-contribution model of two-way exchange process between employee and organization. Their model showed the importance of employees' perception of balance in the process of exchange relationship with his or her organization and that perception is formed from a position of power of an employee to the position of power occupied by the organization. An employee's position depends on his or her acceptance of the organization's authority to determine how its employees should work and behave. While on the other hand, the voluntary nature of employment relationship refers to organization's capacity to exercise its authority that is qualified.

The work of Barnard (1938) and March and Simon (1958) highlighted the conditional and voluntary nature of the employment relationship and made the employee's subjective

perception of balance in exchange relationship with employer as central to the concept of psychological contract.

Two years after the book of March and Simon (1958), Argyris (1960) published his study on relationship between employees and their supervisor that was based on joint agreement i.e. employees will maintain high production with low grievances etc as long as supervisors give them free hand with adequate wages and job security. In this study he explained how this relationship that he named as “psychological work contract” between employees and their supervisors produced mutual benefits for both the parties. According to him, the psychological contract helped both the parties – employees and supervisors – to build good relationship based on clear mutual expectations of each other. The contract remained in working only for as long as both the parties were committed to the desired outcomes and mutual benefits, on which the relationship was built. In connection to the previous theories of Barnard (1938) and March and Simon (1958), Argyris’s (1960) concept of psychological contract was different in two aspects. First, as mentioned by Taylor and Tekleab (2004), Argyris’s (1960) defined psychological contract was somewhat more close to the relationship between group of employees and their supervisors, rather than a two-way relationship between individual employee and supervisor. Second, he has narrowed down the scope of psychological contract to the material or transactional inducement only and ignored non-material or relational aspect of inducement that was introduced by Barnard (1938).

Shortly after Argyris (1960), Levinson, Price, Munden, Mandl and Solley (1962) published an empirical study in mental health issues with a sample of more than 800 employees. They demonstrated implicit pre-formed and mutual expectations – developed through contracting process – as central to the employee-organization relationship. Similar to the work of Barnard (1938) and March and Simon (1958), Levinson et al. (1962) focused on employee-organization relationship as a dynamic contracting process involving an individual employee and organization – represented by its managers this dynamic contracting process was executed by mutual and reciprocal expectations and it helped both the parties to build independent

relationship that give them mutual benefits. On the basis of these early insights into reciprocal and cooperative process of exchange relationship between employee and employer and Barnard's (1938) view of using both material and non material rewards as currency of exchange. Blau (1964) introduced his theory of social exchange that now a days is supposed to be the basis of modern day psychological contract. According to Blau(1964), the employee-employer relationship is not a simple dealing of mutual exchange of material economic commodities, but it goes beyond it having social and cultural dimensions. He said that employer exchanges commodity for commodity but an employee exchanges "life for income; the transaction involves him in status, prestige, his standing in the eyes of his family and of the community, and his whole position as a man" (Boulding, 1962: cited by Blau, 1964: 164). In summary Blau's (1964) theory of social exchange was parallel to the Barnard's (1938) theory of cooperation in a sense that it focused not only on material aspect of process of exchange relationship between employee and employer, but it also highlighted the importance of non-material i.e. social and cultural aspects in employee-employer relationship. Following the work of Blau's (1964), Schein, (1965, 1970, 1980) focused on the use of non-material dimension in employee-employer relationship. According to him, the mutual expectations the employee and employer have of each other are not created by only an explicit agreement – formal written contract highlighting how much work an employee has to do and what amount of money he or she will get for that work but they are also created by less explicit or implicit contract such as recognition of employee's ideas, rights, privileges and sense of mutual obligations between employee and employer. In summary Schein (1965, 1970, 1980) highlighted the need to recognize that the contents of psychological contract between employee and employer could incorporate not only material and economic dimensions but also non-material benefits that make both the parties satisfied from each other (Taylor and Tekleab, 2004).

In short, the period started from Barnard (1938) to Schein (1965) showed limited empirical studies and was dominated by theoretical studies which laid down the conceptual and theoretical basis of psychological contract as mutual and reciprocal exchange process

between employee and employer. The heart of this process is the role of implicit or unwritten expectations which both employer and employee have of each other in bilateral and mutual relationship as crucial factor in understanding the behavior of both employee and employer in psychological contract at work place. It was also suggested by many early theorists such as Barnard (1938), Simon and March (1958), Blau (1964) and Schein (1965, 1970, and 1980) that an employer could use not only material or economical inducements but also non-material inducements such as better work conditions, respect to employee's ideas, protection of employee's rights etc. The period from 1970 to 1980 had no considerable work except Kotter's (1973) insight that could further strengthen the literature on psychological concept development (Taylor and Tekleab, 2004).

2.1.2 Modern Approach to Psychological Contract

The next milestone in concept development of psychological contract was Rousseau's (1989) article titled "Psychological and implied contracts in organizations" (Rousseau, 1989). This publication was the beginning of long series of theoretical and empirical studies that changed the paradigm of definition of psychological contract. Rousseau (1989) introduced a new modern approach known as cognitive-perceptual or individual's mental model approach to psychological contract that was in contrast to early so called "classic" approach i.e. psychological contract as exchange relationship between employee and employer. This new approach defined psychological contract as "An Individual's belief in mutual obligations that person and another party such as an Employer (either firm or another person). This belief is predicted on the perception that a promise has been made (e.g. of employment or career opportunities) and a consideration offered in exchange for it (e.g. accepting a position, foregoing other job offers), binding the parties to some set of reciprocal obligations" (Rousseau and Tijoriwala, 1998; p.679).

This new approach integrated the elements of psychology, social exchange theory and relational contract theory all together (Macneil, 1985) to describe psychological contracts cognitive-perceptual process or mental model (Rousseau, 1995, Rousseau & McLean Parks, 1993; Rousseau and Schalk, 2000; Rousseau & Tijoriwala, 1998; Rousseau, 1995). Beside the

significant contribution of Rousseau and her colleagues, there was also some good contribution made by the critics of Rousseau's approach to psychological contract as individual's mental model such as Coyle Shapiro & Kessler (2000), Guest, (1998a), (1998b), Morrison & Robinson, (1997). These critics challenged the cognitive-perceptual framework of psychological contract individual's mental model of relationship with his or her organization and viewed it as narrower approach to psychological contract that focuses only on individual employee but doesn't cover the organizational side. In summary, the period from 1930s to 1980s was dominated by more exploratory and less empirical research on the concept of psychological contract and central to that research was the concept of mutual and reciprocal exchange relations between employee and employer (Argyris, 1960, Blau, 1964, Kotter, 1973, Schein, 1965, 1970, 1980). The period from 1989 till to date is dominated by more empirical studies and less exploratory studies on psychological contract. Rousseau's definition of psychological contract as cognitive-perceptual process or individual's mental model has been well recognized in most the psychological contract research appeared over the last two decades and it has gained the status of a scientific construct (Millward and Brewerton, 2000).

2.1.3 The Early Approach to Psychological Contract v/s Modern Approach to Psychological Contract (*A summary and definition*)

In the beginning the PC was viewed as an exchange model at the level of employer and employee expectations. The main difficulty of this stream of research evolved through confusions about, who represents the organization and how to deal with disagreeing parties (De Cuyper et al., 2005). An attempt to deal with these confusions was given by Rousseau's conceptualization in which the PC represents a cognitive model existing at the individual level rather than an exchange model incorporating different parties. However, some researchers emphasized the need for including the perspectives of both parties (employer and employee) into the PC (e.g. Guest, 1998b, 2004a; Tekleab, & Taylor, 2003). Further, many authors agree that the PC is based on perceived promises (see Conway, & Briner, 2005, for a sophisticated overview), but there still remains confusion about whether these promises are based on expectations (Kotter, 1973) or obligations (Rousseau, 1990, 1995) or both (Guest, 1998b;

McLean Parks et al., 1998). Despite these confusions, scholars have reached consensus about the nature of the PC (Van den Brande, 2002 in De Cuyper et al., 2005). The PC is implicit, informal, and subjective because its content is open to interpretation, as the PC only exists within the context of an exchange relationship, mutuality is an underlying feature of it. Hence, perceptions should cover the viewpoints of both parties (employer and employee) to the relationship, even when focusing on the PC as an individual's perception only. In addition, the PC is "obligatory" since expectations of perceived obligations must be fulfilled in order to avoid contract "violation". Finally, the PC is dynamic due to mutual bargaining and negotiation mechanisms (see De Cuyper et al., 2005; Conway, & Briner, 2005).

From the above discussion here I concluded the following features of the psychological contract:

- Psychological contract is an individual's perception regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (employer/ organization).
- Individual perception covers both the parties (employees and employer) because psychological contract is within the context of exchange relationship.
- Mutuality is the underlying feature of it, even when focusing on individual perception.
- PC is dynamic in the nature.
- PC is obligatory in the nature.

Chapter No: 3

Impact of Organizational Changes on Psychological Contract

(Psychological contract breach, Role of leadership, outcomes of PCB)

3.0 Chapter Objectives

The first part of this chapter is dedicated to discussion on various concepts related to Organizational changes and psychological contract and highlight that how organizational changes generate the psychological contract breach and how leadership styles play roles regarding this relationship. Second part deals with different job attitudes (organizational identification and turnover intentions) effected by psychological contract breach. The general hypothesis tested in this study is that, organizational restructuring affect to cause psychological contract breach and that breach in the psychological contract affect attitudes towards the organization (organizational identification and turnover intentions).

3.1 Relationship between Organizational Changes and Psychological contract:

Organizational changes (merger, acquisition, and downsizing) referred as deliberate introduction of novel ways of thinking, acting and operating within an organization as a way of surviving or accomplishing certain organizational goals (Cummings & Worley, 1993). These organizational changes often have impact on the employment relationship between the employer and the employees, because the changes are likely to affect what the organization will offer to the employees involved and/or what the organization expects from the employees. Many authors in Work and Organizational Psychology, and more generally across the management sciences, have portrayed the various and deeply rooted changes to working relationships between employers and employees over recent years (Anderson & Schalk, 1998). What has been most important for many people at work has been the simultaneous loss of job security coupled with increasing demands from employers for them to be more

flexible, innovative, and willing to contribute to the organization ‘above and beyond the letter’ of their formal job descriptions or contracts of employment (Anderson & Schalk, 1998). Anderson and Schalk (1998, see Table 1 presents the following overview of past and emergent forms of the ‘typical’ working relationship.

Characteristic	Past form	Emergent form
Focus	Security, continuity, loyalty	Exchange, future employability
Format	Structured, predictable, Stable	Unstructured, flexible, open to (re)negotiation
Underlying basis	Tradition, fairness, social justice, socio-economic class	Market forces, saleable Abilities and skills, added value
Employer’s responsibilities	Continuity, job security, training, career prospects	Equitable(as perceived), reward for added value
Employee’s responsibilities	Loyalty, at attendance , Satisfactory performance, Compliance with authority	Entrepreneurship, innovation, enacting changes to improve performance, excellent performance
Contractual relations	Formalized, mostly via	Individual’s responsibility to

	trade union, collective representation	barter for their services (internally or externally)
Career management	Organizational Responsibility, inspiring careers planned and facilitated through personnel department input	Individual's responsibility, Outspiraling careers by personal reskilling and retraining

Table1: past and emergent form of work relationship

There is a general trend in organizations to move from the 'past' form of the employment relationship towards the 'emergent' form. This process, which in fact means creating 'new deals' between employers and employees, is not an easy one, because of the change, and the processes during change, the nature of the relationship between the individual employee and the organization will change (Anderson & Schalk, 1998.)

Examples are changes in working conditions or working environments, employment contracts, relationships, the primary processes, etc. These changes directly influence individual employees and their perceptions and expectations about the relationship with the organization. Often the mutual obligations between employer and employee are explicitly or implicitly redefined in this process. This means that the psychological contract (e.g. Rousseau, 1995) will be affected.

Organizational changes may influence the psychological contract of employees in a number of ways. First, the bare fact that something will change in the organization may already generate an experienced violation of (employer) obligations. Employees may become insecure about the future and expect that more violations are likely to occur. Secondly, the change itself may

have consequences for the work situation of employees when their role and task is affected, and they have to adapt to new circumstances and changed demands. In the third place, the way changes are implemented (communication, participation, and support in the change process) will have consequences for the psychological contract (Schalk, Campbell & Freese, 1998). Schalk & Roe (2007) have proposed a model that assumes that the employee observes the actual behavior of the organization and of him/her and compares this with the behavior to be expected on the basis of the psychological contract. Schalk & Roe's model states that the employee compares the actual behavior of the organization and his or her own behavior with what would be expected on the basis of the psychological contract. This means that the employee monitors and evaluates whether deviations from agreed mutual obligations occur within the framework of the existing psychological contract. In case of minor deviations, the person may take corrective actions without changing the psychological contract. In case of major deviations, the person will take corrective actions as well, but these actions result in a change of the psychological contract. The psychological contract serves as a cognitive model of monitoring behavior, and remains in use as a basis for action, until it becomes clear to the employee (for example, from unexpected events or by a gradual drift which leads to critical boundaries being overstepped) that it has lost its validity, which means that the contract no longer holds in the individual's thinking due to change or revision.

According to Schalk & Roe (2007), there are three typical patterns of variations in organizational and individual behavior. Variations in the perceived behavior of the organization and/or the individual that remain within 'acceptance limits' are without consequences for the psychological contract, and thus for commitment, and subsequent behavior. Positive deviations of the organization's behavior are likely to be followed by positive deviations on the individual side, while negative deviations would have the opposite effect. This pattern is called *balancing*. If the perceived behavior of the organization and/or the individual reaches or exceeds the 'acceptability levels', changes in consequences are expected. In this case one would expect the person to reconsider the contract as well as to show a decline or improvement in commitment, and subsequent behaviors (Kotter, 1973).

Further, clarification about and re-negotiation of the contract is to be expected. This pattern is called *revision*, as it may lead to a revised contract.

If the deviation exceeds the limits of the existing contract, the contract is likely to break down. Accordingly, one may expect commitment to drop strongly, and behavioral responses to be extreme. Open conflicts, emotional expressions, and signs of aggression and depression may occur as well (Rousseau, 1990). Often the employee will quit or be fired by the organization. This condition is called *abandonment*.

It is important when looking at change processes in organizations to realize that changes may have either a positive or a negative influence on employees. The results of tests of the causal models show the effects at a certain point in time of satisfaction with change of the psychological contract, and of the psychological contract on affective commitment, and, after that, intentions to turnover. Thus, employees seem to react to changes when they become salient for them, and strongest reactions appear at that time.

The result of Schalk and Freese (2007) shows that using the psychological contract may be a useful way of looking at processes during organizational changes. Therefore it is important, when managing change processes, to include information on the psychological contract before the change process into the strategy to manage the change, and to communicate, support, and provide opportunities for participation to employees to enable them to balance or revise their psychological contract, and to prevent the occurrence of abandonment processes.

According to Schalk and Freese (2007), the psychological contract is a useful starting point to examine processes occurring within employees during organizational change, and the consequences for employee attitudes and behavior.

3.2 Organizational changes and Psychological Contract Breach

The importance of psychological contracts is further manifested through its breach. 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). In this climate of change, the traditional contract of long-term job security in return for hard work and loyalty may no longer be valid and employees alike are now reconsidering their mutual obligations. More importantly, these changes have increased the likelihood of psychological contract breach.

Psychological Contract Breach (PCB) refers to employee's perception about to which extent its employer has been unsuccessful to fulfill promises or obligations that it owed (Robinson and Rousseau, 1994). Morrison and Robinson (1997) have given one of the most cited and well accepted definitions of PCB, they defined it as "cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions" (Morrison and Robinson, 1997; p. 230).

It becomes harder to define what organizations and employees owe each other, and difficult for both parties to fulfill all obligations and expectations (Morrison, 1994). Employees may perceive that they do not get what they expect or what they believe they are entitled to from the employment relationship, while employers are seen as not fulfilling their promises and obligations. In the case where employees are expecting job security and where a contract implies lifetime employment in return for hard work and loyalty, downsizing is considered as a breach (but not automatically as a violation). The breach may then lead to survivors experiencing the violation of their psychological contract (Morrison & Robinson, 1997).

In other words breach is one's cognitive evaluation of discrepancy between what is considered as an obligation and what is done by employer in reality. Perceived obligations may be based on both explicative promises e.g. employee may be informed explicatively that

as soon as it completes its first year of job in the organization he will receive 10% increment in salary and implicit promises – e.g. its responsibility of an employer to provide adequate work-environment therefore, in case when an employee perceives that its employer has made the breach of an obligation that it owed, then it is difficult to understand whether that obligation was based on explicit promise or implicit promise (Robinson and Morrison, 2000). Individual's perception of PCB can be influence by some factors. Morrison & Robinson (1997) have discussed the following factors that can influence on the individual's perception of PCB.

- **Incongruence:** in the understanding of mutual obligations between employer and employee such as an employer may not be aware of a promise that has been perceived by its employee to be fulfilled or some time there may be agreement that a promise has been made but nature of agreement is not clear.
- **Vigilance:** refers to consistent scanning of one's environment; according to Robinson and Morrison (2000), an employee is more likely to report breach when it had a history of perceived breach and several job alternatives at the time of hire, because availability of several job alternatives decreases the hidden costs of reporting breach.
- **Reneging:** is another factor that leads employee to the perception of breach of contract. It refers to a situation when an employer is well aware about the promises it made but consciously reluctant to fulfill those promises. There can be three possible causes of renegeing.
 - The employer is unable to fulfill its promise e.g. due to financial crises or lower organizational performance.
 - The employer is no longer willing to keep promise e.g. employee progress is not up to the mark.
 - The employer is consciously intended not to keep the promise.

Employee's perception that breach has occurred is more likely when organization (employer) is unable to keep promise because of its lower performance and/or when employee's performance is below standard (Robinson and Morrison, 2000).

Among the acknowledged consequences of contract breach are limited organizational commitment (Guzzo. et al., 1994b), in-role behavior (Turnley and Feldman, 1998), this study looks into the impact of psychological contract common among employees (Guest, 1998; McLean Parks and Kidder, 1994; Rousseau, 1990). The literature provides evidence that during major organizational changes contract breach 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, 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) suggested 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), organizations are more likely to fail to fulfill the promises given by the pre-merger/acquisition organization, either consciously –because they do not think they are important enough or they are not able to/ unconsciously because they are not well informed. On the other hand empirical research on downsizing suggests a number of negative consequences including low morale, high job insecurity, survivor syndrome, low organizational commitment and job satisfaction, high absenteeism and intention to leave. (e.g. Robinson&Morrison. , 1995; Guzzo et al., 1994). Thus, on the basis of above arguments we can assume that an organizational change causes PCB.

Hypothesis 1: Organizational changes (merger, acquisition and downsizing) effect to cause the psychological contract breach

Hypothesis 1a: Downsizing effect to cause PCB more than merger and acquisition.

3.3 Measures of PCB

It is one of the common debatable issues in psychological contract research that how to measure breach of psychological contract. Past research on PCB has used three ways to measure breach i.e. composite measure, global measure and weighted measure.

- **Composite measure**

Composite measure consists of various specific content items of psychological contract such as high pay, bonuses, training, career development opportunities, job security, work environment, etc. The respondents are asked to indicate how much their organization has been successful in fulfilling its obligations or promises on each item (Zhao et al., 2007).

- **Global measure**

As it is clear from the name, global measure doesn't focus on specific content item separately, but it focuses on over all perceptions of employees about how much their organization has fulfilled promises or obligations that it owed.

- **Weighted measure**

Weighted measure is to some what similar to composite measure in a way that it includes the specific content items of psychological contract and all the respondents are asked to rate their perceptions of breach against each item. It differs from composite measure in a way that it asks respondents to highlight the importance of each of the content items.

"Each raw breach score is multiplied by the respective perceived importance score and then summed or averaged to yield a weighted breach score" (Zhao et al., 2007, p. 656). This type of measure of breach is not very common as compare to global and composite measure.

This research study focused on global measure of psychological contract breach because this type of measure does not refer to any specific content item but directly assesses subjects' overall perceptions of how much the organization has fulfilled or failed to fulfill its obligations or promises, further, majority of the empirical studies on the psychological contract have used either composite measures or global measures, there have been some critics of composite

measures of breach because what is valued in the psychological contract may vary from one employment relationship to the next (Zhao et al., 2007), thus for psychological contract Breach measured by a global approach has a stronger relationship with work outcomes than breach measured by a composite approach (Zhao et al., 2007).

3.4 Outcomes of PCB

Research has found support for a positive relationship between psychological contract breach, violation, and intentions to leave (Robinson, 1996; Robinson & Rousseau, 1994; Guzzo et al., 1994; Turnley & Feldman, 2000; Tekleab, Takeuchi, & Taylor (2005); any mismatch may result in resistance to change, and may have negative effects on employee attitudes and behavior.

Till date, there has been sufficient research in the domain of PC that shows PCB has profound influence on employee's work related outcomes (Conway and Briner, 2005; Suazo, 2009; Zhao et al., 2007). Kickul et al., (2004) have divided outcomes of PCB into two different categories i.e. attitudes and behaviors and developed separate hypotheses for each category (Zhao et al., 2007). In the most recent work on PC, Petersitzke (2009) has provided a good summary of empirical studies that explained the impact of PCB and employee's attitudes and behaviors. This summary has highlighted some most commonly studied job attitudes – e.g. commitment, job satisfaction, turnover intentions etc – and behaviors – e.g. Organizational Citizen Behavior (OCB), in role performance, absenteeism, actual turnover etc – Petersitzke (2009) has summarized that there are good numbers of empirical studies on PC that have highlighted the negative impact of PCB on work place attitudes and behaviors. However, the present research study focuses only on impact of PCB on individual's job attitudes because Job attitudes refer to an employee's evaluation of its employer and its work in general (Zhao et al., 2007). Studying individual's work attitudes is very important because they lead us towards better understanding of its behaviors. According to one classic tripartite attitude model, the structure of attitude is buildup on three components: cognition, affective and behavioral intentions (Zhao et al., 2007). However, in recent meta-analysis on impact of PCB on work related outcomes, al. (Zhao et. 2007) have incorporated "Affective Events Theory" AET model

separates the affective component and views it as an antecedent of the work attitude. Consistent with this, in this study i examine the general work attitude “cognition component”, because compared with affect; attitude is more evaluative (Zhao et al., 2007).

This research model only focused on two work attitudes: Organizational identification and employee turnover intentions because they are most common responses to negative events with work (Lum, Kervin, Clark, Reid, & Sirola, 1998).

3.4.1 Organizational Identification (OID)

The concept of OID has been derived from social identification which means “the perception of belongingness to a group classification” (Mael and Ashforth, 1992; p.104). This means that a person thinks of himself as being a real or symbolic member of a specific group – e.g. I am a government employee – OID refers to “a specific form of social identification where the individual defines him or herself in terms of his or her membership in a particular organization” (Mael and Ashforth, 1992; p. 106). It should be noted that OID is different from professional and occupational or workgroup identification (Mael & Ashforth, 1992); OID reflects the level to which an individual specifies himself in terms of the organization, while professional and occupational identification explains the level to which an individual specifies himself to the work which he performs and the prototypical attributes assigned to the people who perform that work (Van Maanen & Barley, 1984). Kreiner & Ashforth (2004) have found a positive relationship between psychological contract breach and organizational disidentification or in other Words PCB has negative association with organizational Identification. In a more recent study based on group value model (Restubog et al., 2008) have argued that psychological contract breach will be negatively related with organizational identification. This will anticipate that:

Hypothesis 2a: PCB has negative association with OID

3.4.2 Turnover Intentions

Turnover intentions reflect the subjective probability that an individual will leave his or her organization within a certain period of time. Turnover intentions can serve as an indicator of the extent of one's psychological attachment to the organization. According to Jaros (1997) intentions to leave refer to an employee's tendency to stop being an organizational member. Farkas and Tetrick (1989) insist that intentions to leave the organization, separates organizational commitment from decision to quit. In fact, turnover intentions is the direct precursor of turnover behavior and reflects a combination of withdraw unrelated attitudes (Jaros et al., 1993). Withdrawal is a primary way of resolving perceived inequities that exist in terms of an employment relationship (Bunderson, 2001; Lo and Aryee, 2003; Robinson and Morrison, 1995; Rousseau, 1995). Robinson (1994: 140) argues that, "continuing to work for the employer is in its contribution that increases the employees' perceived entitlement and decreases their perceived debt". Hence, in the case of psychological contract breach, employees tend to, at least, have thoughts of quitting. Whether thoughts will be enacted depends basically on two premises: a) the available working alternatives, depending on both individual characteristics, such as skills and age, and external factors, such as rate of unemployment and b) the monetary, social, psychological and other costs related to leaving the organization. When no attractive alternative is available or the exit costs are unbearably high, employees are likely to feel locked in place (Jaros et al., 1993).

As opposed to actual turnover, the turnover intentions variable is not dichotomous. In addition, it is less constrained by exogenous factors (such as availability of an alternative job) and thus more accurately reflects one's attitude toward the organization. Intention to quit is a common response to negative events with work (Lum, Kervin, Clark, Reid, & Sirola, 1998). Thus, psychological contract breach, as a negative event for employees, can increase their tendency to leave. The existing literature identifies the impact of psychological contract breach on intentions to leave the organization is positive (Robinson and Rousseau, 1994).

Moreover, during M&A, employees are likely to experience a shock, due to culture clashes/ differences in organizational processes and procedures (Lee et al., 1996). Still, the sense of

continuity is key to employee reactions (Van Knippenberg and Van Leeuwen, m2001). As Van Dick et al. (2004) argue, employees have lower turnover intentions when they feel that the venture does not affect their everyday work, as they are more likely to identify with the new setting. Thus, the anticipation is that: During M&A, psychological contract breach relates positively to employee turnover intentions.

Hypothesis 2b: Psychological contract breach is positively related to turnover intentions

3.5 Leadership and the Psychological Contract

Prior research on PC suggests that supervisors (as the most important organizational representative in the employment relationship) play an especially meaningful role in the development and maintenance of the psychological contract (Rousseau, 1995). Literature provides evidence that, when organization facing significant change, the leadership through their art mobilizing others to want to struggle for shared aspirations. Leaders therefore must be skilled in change management processes if they are to act successfully as agents of change and motivate others to follow (Van Knippenberg and Hogg, 2003). It is believed that one of the crucial leadership challenges in business today is to create and maintain a more viable relationship between employer and employees, because these changes (like merger acquisition re-organization) in the employment relationship have more negatively affected employees and have reduced job security and increased uncertainty among employees (De Meuse et al., 1997).

Of leadership importance in organizational change processes and being a most important representative in the employment relationship, it creates need to explore the relationship between PC and organizational changes from this perspective.

Moreover, despite of leadership importance a very few studies to date has explored the unique aspects of psychological contracts from the perspective of leadership style (transactional/ transformational).

If we review the Leader-Member Exchange (LMX) theory of leadership, used by researchers to explain the relationships a supervisor has with each of his or her subordinates is similar to

psychological contract theory, in a way that both are based on the idea of reciprocity and social exchange. This feature of “exchange process” making the LMX resemble to a transactional leadership model, but it is not usually measured this way, because as in LMX model manager divide the employees into two different groups first “in- group” (to whom manager make more close relationship, communicate face to face and trusted them) second “out-group” (these members are considers as relatively distant, face to face communication is limited and trust is not developed). Members of the in-group are not told what is expected in return for the rewards they are given as part of a high-quality exchange. Since leaders do not make explicit demands on followers in the form of harder work for these rewards, the relationship might be characterized as transformational.

To the extent that LMX measures tap mutual respect, trust, and the overall quality of the working relationship, LMX is oriented toward transformational leadership because transformational leadership is also characterized in the same way (Gerstner & Day, 1997; Schriesheim, Castro, & Cogliser, 1999). Krishnan (2004) found that LMX and transformational leadership were positively related to each other, Research thus far has shown the transformational approach to leadership to be highly effective in situations of complex change. Beatty and Lee (1990) provides evidence that both type of leadership styles, transformational versus transactional would appear to be a factor that may influence the content of the psychological contract.

Followers of transformational leader become attracted by this vision and the leader's inspiration and charisma. Because of the mutual investment in the vision, followers implicitly assume they can trust the leader to provide rewards consistent with performance. They do not feel the necessity to negotiate a quid pro quo that guarantees rewards for performance, nor are they motivated by these rewards. Rather, their motivation comes from their investment in the vision they share with the leader. Other studies have found that transformational leadership has a positive, significant relationship with work group performance and employee satisfaction (Seltzer and Bass, 1990).

Based on above arguments we should anticipate that transformational leadership which is based on the trust, where people know, why and how the changes takes place, will reduce the negative effects of psychological contract breach during organizational changes

Hypothesis 3: *Transformational leadership moderate the relationship between restructuring and PCB.*

3.6 Hypothesis:

Hypothesis 1: Organizational changes causes the psychological contract breach

Hypothesis 1a: Downsizing effect to cause PCB more than merger and acquisition

Hypothesis 2a: PCB has negative association with organizational identification OID

Hypothesis2b: PCB is positively related to turnover intentions

Hypothesis3: Transformational leadership moderate the relationship between restructuring and PCB

3.7 Sub Research Questions:

1. What are the effects of Pakistani private banks restructuring on psychological contract breach of their employees, how do their employees respond to these changes?
2. How does transformational leadership interact in case of restructuring and psychological contract breach?

3.8 Research Model

Based on the hypotheses drawn above, this study uses the following research model that will be tested empirically.

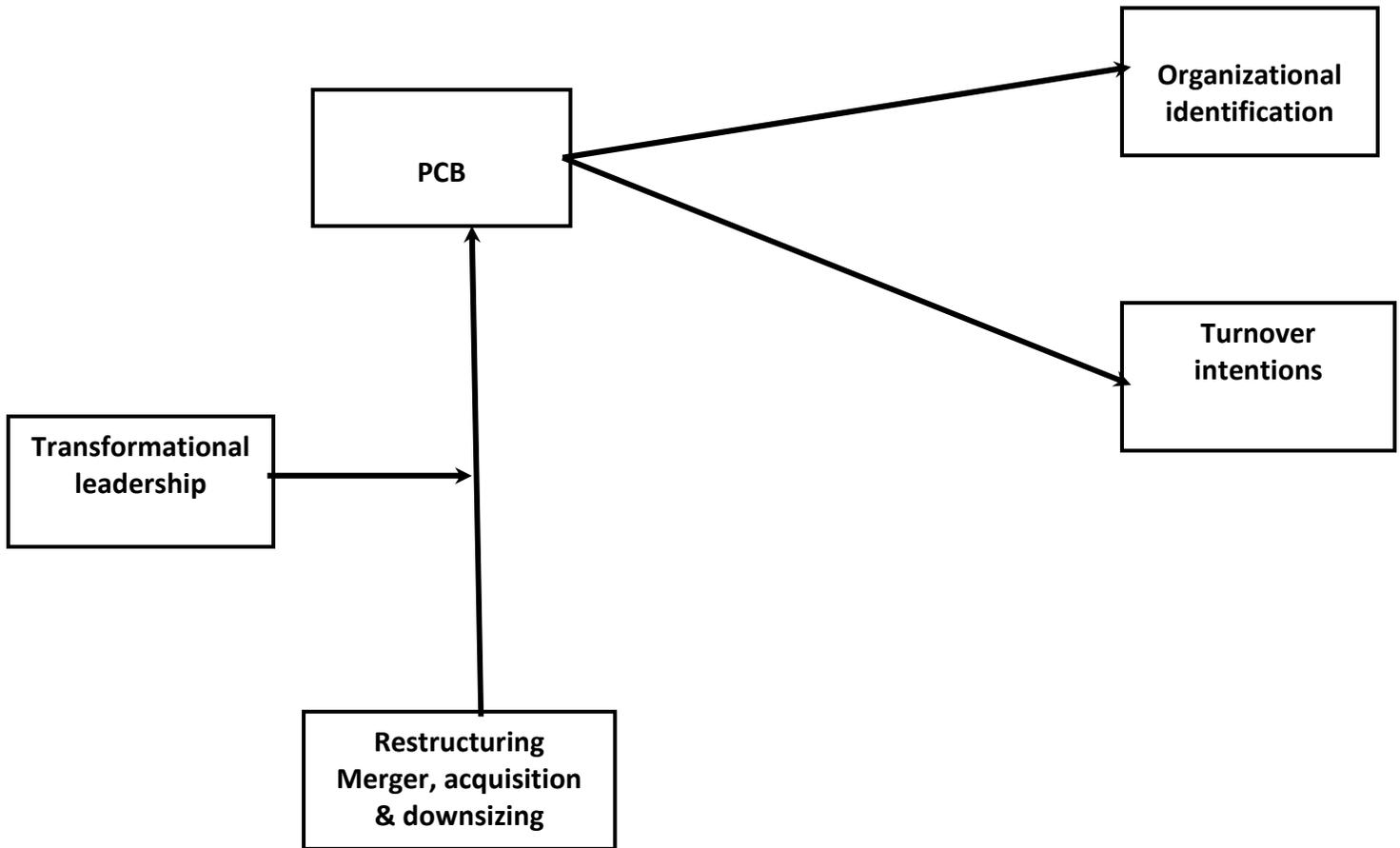


Figure 1: Research Model

Chapter No: 4

Research Design & Methodology

4.0 Chapter Objectives

The main objective of this chapter is to provide details about the research methodology used in conducting this research study i.e. nature of sample, research techniques, measurement scales. This chapter gives overview of a country (Pakistan) from where the research data used in this study have been collected. It also provides insight to the basic characteristics of research sample and data collection procedure; it provides information about the measurement scales used to measure different constructs of research model.

4.1 Banking Sector of Pakistan

Pakistan is a developing country that is situated in South Asia, marking the area where South Asia converges with Southwest Asia and Central Asia (see details in Appendix VI). Pakistan is one of the key emerging markets of South Asia with a total population of over 140 million people. Pakistan's GDP is expected to grow at over 5% during the year 2003-04. Macroeconomic stability and financial sectors reform are targeted to have a positive, substantial impact on real economy.

The financial sector in Pakistan comprises of Commercial Banks, Development Finance Institutions (DFIs), Microfinance Banks (MFBs), Non-banking Finance Companies (NBFCs) (leasing companies, Investment Banks, Discount Houses, Housing Finance Companies, Venture Capital Companies, Mutual Funds), Modarabas, Stock Exchange and Insurance Companies. Under the prevalent legislative structure the supervisory responsibilities in case of Banks, Development Finance Institutions (DFIs), and Microfinance Banks (MFBs) falls within legal ambit of State Bank of Pakistan while the rest of the financial institutions are monitored by other authorities such as Securities and Exchange Commission and Controller of Insurance.

The State Bank of Pakistan (The central bank) is fully authorized to regulate and supervise all the banks and development finance institutions. During the year 1997 some major amendments were made in the banking laws, which gave autonomy to the State bank in the area of banking supervision. State bank systematically monitor the performance of every banking company.

The banking sector in Pakistan consists of: 1) commercial banks and 2) specialized banking Institutions, again the commercial banks of Pakistan divided into public and private banks, Pakistan has two government banks (public banks) and more than 30 private commercial banks. Banking sector of Pakistan has been transformed within a short period of 5 years (CY2000-05) from a sluggish and government-dominated sector to a much more agile, competitive and profitable industry.

The key trends in the banking sector of Pakistan are restructuring (downsizing, mergers, and acquisitions); the objective of the banking sector restructuring and privatization project is to help Pakistan in continue implementation of its banking reform program, in an aim to achieve a competitive private banking system, strong regulatory framework, and an effective banking court system.

For current research I choose private commercial banks of Pakistan, because the private banking sector in Pakistan undergoes the major organizational changes (merger, acquisition, and downsizing). It becomes need of the time to conduct research study in Pakistan on employee and employer relationship due to restructuring and to examine those promises and obligations that employer made to the employees at the time of their selection and if not then how do employees respond once they perceived breach of their psychological contracts by their employer.

4.2 Sample & Procedures

An online as well as personal survey method was selected to collect data from managers (branch managers and operational managers) other employees like (credit officers, cash officer, foreign exchange officers, and remittance officers), for this purpose in first step, email addresses of all the bank staff members were gained through my personal contacts with banks, and made the email addresses list of 200 employees. Before conducting an actual study a focus group study was conducted with the help of 4 Pakistani scholars doing their PhDs in Netherlands (most of them were regular bank employees in Pakistan), In the light of this focus group discussion few changes were made in the language of questionnaire such as words “organization and employer” were replaced with word “Bank” etc.

In Pakistan English is taught as a major, compulsory subject beginning in grade school and is the medium of instruction for all university education. Except for entry level jobs in which almost no education is required, every person employed in Pakistan at least read and understand English. Thus given the sampling frame, I did not have to translate the questionnaire into the native language. Finally, a modified version of questionnaire (see in appendix III) was sent to all 400 employees (200 through emails and 200 through personal contact) accompanied with cover letter and reference letter (issued by University of Twente), these two letters explaining the purpose and scope of the study, assured the respondents of strict anonymity and that participation in the study was voluntary (see in appendix I). Of The 400 surveys distributed, total 150 were completed and returned successfully, with the online response rate of only 7.5% and personal contact response rate was 67.5%. Although online survey response rate was quite low when compared to response rate of any online survey conducted in any developed country of west, but it shows that how difficult it is to collect data in a developing country like Pakistan. The percentages of female and male respondents were 17% and 83% respectively with mean age of 26- 29. The sample was consisted of 60 % (credit officers, remittance officers, foreign exchange officers (15% branch managers, 25% operational managers as for as their education is concerned 90 % of respondent held masters degrees, 9% held bachelors.

Their descriptive characteristics are mentioned in table.

sex		Age		Education		Designation	
Male	83%	Under 20s	40%	Bachelors	9%	Branch manager	15%
		Under 30s	38%	Masters	90%	Operational manager	25%
Female	17%	40s and above	22%	M.phil/PhD	1%	Credit, cash, remittance, F.E officers	60%

Table2: Descriptive characteristics of the sample

4.3 Measures

All measures except control variables were measured on five point Likert scales ranging from “strongly disagree” (1) to “strongly agree” (5). Scores of each scale were calculated by taking average of all responses on the associated items. Following were the measurement scales used in this research study. (See in Appendix III).

- **Organizational Restructuring:**

Degree of restructuring (merger acquisition, significant layoff) measured with the scale used by the William H. Turnley and Daniel C. Feldman., in their article “psychological contract violation during corporate restructuring” participants asked the question like: Has your organization initiated a significant layoff in the past 2 years? In current study the internal consistency of the scale was satisfactory ($\alpha=.837$).

- **Leadership Style:**

For measuring the transformational leadership, MLQ Items Bass & Avolio (1995) was used. Internal consistency of the scale was satisfactory ($\alpha=.74$).

- **Psychological Contract Breach (PCB)**

Bank employee's perception of their breach of psychological contracts was measured with five item Scale developed by Robinson and Morrison (2000). This is one of the most commonly used scales to measure employees' global perception of how well their psychological contracts have been fulfilled by their organizations. In many past research studies (Suazo, 2009), it has demonstrated good levels of reliability and constructs validity (Robinson and Morrison, 2000). A sample item is "So far my Bank has done an excellent job of fulfilling its promises to me (R)". In my study the internal Consistency of this scale was acceptable ($\alpha =.650$).

- **Organizational Identification (OID)**

How strongly the bank employees identify themselves with respect to their employer bank. OID was assessed using six-item scale developed by Mael and Ashforth (1992). An example item is, 'when I talk about my Bank, I usually say we rather than they". In this study it has demonstrated internal consistency ($\alpha =.892$).

- **Turnover Intentions:**

In order to measure the employee ratio of turnover from the current employment i used the 3-item turnover intentions scale from the Michigan Organizational Assessment Questionnaire (Cumman et al, 1979). The scale has been used widely in past research. The internal consistence was acceptable, it was ($\alpha= .791$).

- **Control Variables**

Employee's gender, age, designation, educational level (Were included as control variables, in order to rule out the explanations for significant relationships. Some previous studies have suggested that the variables like sex, age can influence on relationship Between PCB and work attitudes (Bal et al, 2008; Raja et al, 2004; Robinson, 1996, Suazo, 2009). These control variables were measured: **gender** was coded as 1 = male, 2 = female; for **age**, respondents were asked to choose their appropriate age category from given list started from 1 = 25 or less than 25 years to 7 = greater than 50 years; **Designation** was measured as 1 = branch manager, 2 = operational manager, 3 = others (remittance, cash officers, credit officers, education was assessed as 1 = bachelors, 2 = Masters, 3 = M.phil, 4= PhD/Doctorate.

Chapter No: 5

Data Analysis and Results

5.0 Chapter objectives:

The objective of this chapter is to explain data analysis process, statistical test (used to test various hypotheses) and finally to show the results of each hypothesis design for current study.

5.1 Data Analysis

In first step of data analysis, initial data screening was done e.g. missing values, descriptive statistics, analysis, normality, detection of multivariate outliers, Linearity and homo-scedasticity multi-collinearity and correlations analysis were carried out using SPSS.

5.1.1 Initial data screening and reliability tests

As it has already been mentioned above that only completely 150 filled questionnaires were included in the data set, thus, no missing and aberrant value was found in the data set. Then, analysis for descriptive statistics and test for normality were conducted with data set of 150 cases and it was observed that although for most of the items data were normally distributed i.e. values of Skewness and Kurtosis were in between +1 to -1, but there were some items (REST2, JS3, TRNI3, LSTYLE1, LSTYLE2, LSTYLE3) which had values of Skewness and Kurtosis significantly more than +1 and -1, see the (Appendix IV).

In order to further improve the normality of our data set, mahalanobis distance measuring method was applied to detect multivariate outliers (e.g. items having value greater than $\alpha = .001$); 7 cases (10, 15, 57, 115, 117, 146) were reported with value greater than $\alpha = .001$. Normality test was run again by excluding these 6 cases but no significant changes were found in Skewness and kurtosis of data set. This is a common problem in the behavioral and social

sciences which is generally solved by not reporting data on normality but on a quasi normality with skewness between +1.5 and -1.5 and kurtosis between +3 and -3. In our data set of 150 cases all the values are within the criterion of quasi normal distribution.

Initial screening of data had proven that our data set was suitable for further statistical tests such as reliability tests and regression analysis. Before applying hierarchical regression analyses to test all the hypotheses of the study, all the items like REST (3 items), PCB (5 items), OI (6 items), TRNI (3 items) and LSTYLE (3 items) were put for reliability test, all the items shows satisfactory value of reliability of the all the items like: REST (were checked, all the scale shows the satisfactory value of Cronbach's Alpha (see the Appendix IV) and table3. Once the reliability analysis was done and final items of each scale (REST, PCB,OI, TRNI, LSTYLE) were selected, then the scores of each scale were calculated by taking average of all responses on the associated items (REST_SUM, PCB_SUM, OI_SUM, and TRNI_SUM, LSTYLE1_sum_new).

REST	PCB	OI	TRNI	LTYLE
$\alpha=.837$	$\alpha=.650$	$\alpha= .892$	$\alpha =.791$	$\alpha=.74$

Table3: Summary of Cronbach's Alpha

5.1.2 Regression Analysis

Hierarchical regression analysis was used to test all the hypotheses. Its general practice to enter control variables first in hierarchical regression analysis, but entrance of the no significant terms in regression model “distorts” the calculation of the regression coefficient β values of the significant terms. Therefore, those control variables which

demonstrate significant pearson correlation or ANOVA should be entered into regression model (Petersitzke, 2009). Following this logic, appropriate control variables were entered in first block if they had significant Pearson correlation or ANOVA with dependent variable. The independent variables were entered into subsequent blocks of regression model. Keeping in view all the above discussions, hierarchical regression analyses were conducted to test the each relationship of research model of this study. Following are the results of each hypothesis.

5.1.3 Hypotheses testing & results

5.1.3.1 Hypothesis 1 (Restructuring effects to cause PCB)

Hypothesis1 predicted that major organization changes (REST) effects to cause the (PCB), for testing this hypothesis, PCB _SUM was entered as a dependent variable and all control variables like, gender, level of education, position in the bank & age (SEX_N, EDU_N, DESG, N, age) were entered as an independent variables in regression model1, only one control variable e.g. Position in the bank (DESG_N) showed the significant co-relation with the PCB, the value of standardized coefficient was ($\beta=.236$ $p <.5$, .004), the value of R square is .136 and the value of R square change is .136. In the second model the PCB_SUM was entered as a dependent variable and REST_SUM as an independent variable, the value of standardized coefficient ($\beta=.360$; $p=.000$). It means the REST_SUM is highly significant with PCB_SUM.

In the second model only one control variable, position in bank (DESG_N) showed significance with OI_SUM ($\beta=.174$ $p <.5$, .023). In the second model the value of R square is .257 and the value change in R square is .121. As demonstrated in the table1 REST (standardized $\beta=.360$; $p<0.001$) has significant positive effects on PCB. Organizational changes (REST) has positively effects on PCB (ΔR square is .121; $\Delta F= 23.480$; $p<0.001$). Thus Hypothesis1 has been proved true.

Model	Standardized coefficient Beta	Sign.	R square	R Square change	Change in F
1 Position in bank	.236	.004	.136 a	.136	5.698
2 Position in bank	.174	.023	.257 b	.121	23.480
REST_SUM	.360	.000			

Table 4: Regression analysis hypotheses 1***

* Significant at 0.05 level; ** significant at 0.01 level; *** significant at .001 level
 Dependent variable in model 1 and 2 PCB_SUM

a. Predictors: (Constant), age, Gender, Position in the bank, level of education

b. Predictors: (Constant), age, Gender, Position in the bank, level of education, REST_SUM

Regression analysis hypothesis 1***

5.1.3.2 Hypothesis 1a (downsizing effect to cause the PCB more than merger and acquisition)

Hypothesis 1a predicted that downsizing effects to cause the (PCB), more than merger and acquisition. For testing this hypothesis, REST_SUM further divided into two different variables (downsizing, merg_aqu), both variable were tested through regression model by using the similar method used in hypothesis 1.

Standardized coefficient for downsizing was ($\beta=.322$ $p <.5, 000$), and for merg_aqu ($\beta=.322$ $p <.5, 000$).it shows that both variables have similar value of standardized coefficient and significance; that shows, downsizing and merg_aqu effects to cause the PCB in similar way. Thus hypothesis 1a does not proved.

	Standardized coefficient Beta	Sign.
1 merg_aqu	.332	.000
2 downsizing	.332	.000

Table 5: Regression analysis hypotheses 1a not proved.

a. Predictors in the Model: (Constant), age, Gender , Position in the bank , level of education

b. Dependent Variable: PCB_SUM

Regression analysis hypothesis 1a not proved

5.1.3.3 Hypothesis 2a (Perceived PCB has negative association with OID)

Hypothesis 2a predicted that perceived PCB has negative association with organizational identification, for testing this hypothesis, in the first model OI_SUM was entered as a dependent variable and all control variables like , gender, level of education, position in the bank & age (SEX_N, EDU_N, DESG,N, age) were entered as independent variables in the regression model, one control variables like position in the bank (DESG_N) showed the significant co-relation with the OI, the value of standardized coefficient ($\beta = -.148$; $p < .5$, .080), the value of R square is .136 and the value of R square change is .136.

In the second model the OI_SUM was entered as a dependent variable and PCB_SUM as an independent variable, the value of standardized coefficient ($\beta = -.588$; $p = .000$), it means that PCB_SUM is highly negative significant with the OI_SUM. In the second model the value of R square is .337 and the value change in R square is .299.

In the second model no any control variable showed significance with OI_SUM. As demonstrated in the table: 2 PCB (standardized β = -.588; $p < 0.001$) has significant negative association with OI, (ΔR square is .299; $\Delta F = 64.871$; $p < 0.001$). Thus hypothesis 2a has been proved true.

Model	Standardized coefficient Beta	Sign.	R square	R Square change	Change in F
1 Position in bank	-.148	.080	(a) .136	.136	5.698
2 Position in bank	-.010	.893	(b) .337	.299	64.871
PCB_SUM	-.588	.000			

Table 6: Regression analysis hypotheses 2a ***

* Significant at 0.05 level; ** significant at 0.01 level; *** significant at .001 level

Dependent variable in model 1 and 2 OI_SUM

a. Predictors: (Constant), age, Gender, Position in the bank, level of education

b. Predictors: (Constant), age, Gender, Position in the bank, level of education, PCB_SUM

Regression analysis hypothesis 2a ***

5.1.3.4 Hypothesis 2b (Perceived PCB has positive association with turnover intentions)

Hypothesis 2b predicted that perceived PCB has positive association with turnover intentions, for testing this hypothesis, in the first model TRNI_SUM was entered as a dependent variable and all control variables like, gender, level of education, position in the bank & age (SEX_N, EDU_N, DESG_N, age) were entered as independent variables in the regression model, the two control variables gender (SEX_N) and age showed the significant co-relation with the

TRNI ($\beta=-.219$; $p=.006$, $\beta= -.168$; $p=.051$) respectively. The value of R square is .124 and the value of R square change is .124.

In the second model the TRNI_SUM was entered as a dependent variable and PCB_SUM as an independent variable, the value of standardized coefficient($\beta=.390$; $p=.000$), it means that PCB_SUM is highly negative significance with TRNI_SUM. In the second model two control variables like Gender and age are also showed standardized coefficient ($\beta=-.232$; $p=.002$, $\beta= -.177$; $p=.027$). R square is .255 and the value change in R square is .131.

As demonstrated in the table3 PCB (standardized $\beta=-.390$; $p<0.001$) has significant positive association with TRNI, (Δ R square is .131; Δ F= 25.871; $p<0.001$).Thus hypothesis2b has been proved true.

Model	Standardized coefficient Beta	Sign.	R square	R Square change	Change in F	
1 Gender	-.219	.006	.124	.124	5.133	
	Age	-.168				.051
2 Gender	-.232	.002	.255	.131	25.871	
	Age	-.177				.027
	PCB_SUM	.390				.000

Table 7: Regression analysis hypotheses 2b***

* Significant at 0.05 level; ** significant at 0.01 level; *** significant at .001 level

Dependent variable in model 1 and 2 TRNI_SUM

a. Predictors: (Constant), age, Gender, Position in the bank, level of education

b. Predictors: (Constant), age, Gender , Position in the bank , level of education , PCB_SUM

Regression analysis hypothesis 2b ***

5.1.3.5 Hypothesis 3 (Transformational leadership moderate the relationship between PCB and organizational restructuring)

Hypothesis3 predicted the moderating effects of leadership style, in relation between PCB and restructuring (REST_SUM) by using the multiple regression because it is an accessible data-analytic technique contained in major statistical packages that can be used to examine both moderator and mediator effects (Aiken & West, 1991; Baron & Kenny, 1986; Cohen, Cohen, West, & Aiken, 2003; Jaccard, Turrisi, & Wan, 1990) In this study both moderator and independent variables are categorical variables. Here moderation is indicated by an interaction, measure the simple effects of the independent variable across but these should be measured only if the moderator and the independent variable interact to cause the dependent variable (Baron and Kenny, 1986).

Moderator effects are best detected (i.e. tests have more power) when the relation between the predictor and outcome is substantial (Chaplin, 1991; Jaccard et al., 1990).

Hypothesis 1 has already fulfilled this condition, therefore In first step both dependent (PCB_SUM) and independent variables like restructuring (REST_SUM), leadership style (Lstyle1_sum_new) and control variables like, gender, level of education, position in the bank & age (SEX_N, EDU_N, DESG, N, Age) were entered into regression model then in next step moderating variable as interaction term (leadership style *restructuring) with the main effects of the independent variables (restructuring and leadership style) were entered for regression. The results of regression analysis shown in table 7 have demonstrated that, in first model all four control variables like (SEX_N, EDU_N, DESG_N, Age) showed the significant co-relation with the psychological contract breach (PCB_SUM), standardized coefficient (β =.59, -.189, .168, .074) respectively with significance (p = <.5, .385, .011, .019, .323), the value of R square is .359. The restructuring (REST_SUM) is significantly related to PCB (standardized β = .282;

$p < .05$) as it already proved in first hypothesis. The leadership style as an independent variable (Lstyle1_sum_new) showed negative regression coefficient with PCB (standardized $\beta = -.335$; $p < .05$). The results of regression analysis in model2 have also demonstrated Significant correlation with the psychological contract breach (PCB_SUM), standardized coefficient of control variables were ($\beta = .075, -.201, .147, .070$) respectively with significance of ($p < .5, .252, .005, .03319, .333$), the value of R square is .404. In the main effect both restructuring and leadership style showed the significance with PCB as an independent variables with standardized Coefficient ($\beta = .475, -.123$; $p < .05$) respectively. The interaction term also significantly related to PCB (standardized coefficient $\beta = -.326$; $p < .05$).

Baron and Kenny (1986) have suggested that moderator hypothesis is supported if, the interaction is significant, and there may also be significant main effects for the predictor and the moderator. The above results satisfied these conditions and showed the significant relation of leadership style and restructuring as main effects and as an interaction effects. Thus hypothesis 3 has proved to be true.

Model	Standardized coefficient Beta	Sign.	R square
1			
Gender	.059	.385	.359
Level of education	-.189	.011	
Position in the bank	.168	.019	
Age	.074	.323	

REST_SUM	.282	.000	
LSTYLE1_sum_new	-.335	.000	
2 Gender	.075	.252	.404
Level of education	-.201	.005	
Position in the bank	.147	.033	
Age	.070	.333	
REST_SUM	.475	.000	
LSTYLE1_sum_new	-.123	.193	
modr_catg_new (REST_SUM* LSTYLE1_sum_new)	-.326	.001	

Table 8: Regression analysis hypotheses 3***

* Significant at 0.05 level; ** significant at 0.01 level; *** significant at .001 level

Dependent variable in model 1 and 2 PCB_SUM

a. Predictors: (Constant), REST_SUM, Gender, Age, Position in the bank, Lstyle1_sum_new, level of education.

b. Predictors: (Constant), REST_SUM, Gender , age, Position in the bank , Lstyle_sum_new, level of education , modr_catg_new

c. Dependent Variable: PCB_SUM
Standardized Beta coefficients are reported in columns = significant

Regression analysis hypothesis 3***

Chapter No: 6

Discussion

(Contribution, Limitations, Directions for future research, Practical Implications and conclusion)

6.0 Chapter Objectives

The main objective of this chapter is to discuss the results of each hypothesis tested in this study and to discuss how our findings best fit in the general body of literature. This chapter also highlights the contributions and limitations of this study. Directions for future research studies and practical implications of current study are also given in the end before the conclusion.

6.1 Discussion

Overall, this study addressed two important research objectives. 1. To explore the negative effects of psychological contract breach caused by restructuring (merger, acquisition, and downsizing), in private commercial banks of Pakistan and their effects on organizational identification and turnover intentions of their employees.

2. To explore the interaction effect of transformational leadership in relation between restructuring and psychological contract breach of employees working in private commercial banks of Pakistan.

6.1.1 Organizational changes (restructuring) and psychological contract breach.

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 changes, as increased instability

forces employees to continuously reassess and renegotiate their terms of employment (Pate et al., 2000; Sels et al., 2004). Several other researchers embrace e.g. (Robinson's, 1996) suggested that employees are more likely to experience contract breach to a greater extent during major organizational changes (Lo and Aryee, 2003; Robinson and Morrison, 2000; Turnley and Feldman, 1998). Thus, keeping in view all these arguments, this study figures out that employees working in private commercial banks of Pakistan have cognitive evaluation of discrepancy between what is considered as an obligation and what is done by employer in reality lead them to psychological contract breach. The results of regression analyses for hypothesis1 has proven that cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions i-e PCB ($\beta = .360$; $p < 0.001$). This result is parallel to empirical findings of (Guest, 1998; McLean Parks and Kidder, 1994; Rousseau, 1990; Robinson, 1996; Lo and Aryee, 2003; Robinson and Morrison, 2000; Turnley and Feldman, 1998) because they all suggested that employees are more likely to experience contract breach to a greater extent during major organizational changes.

Again the restructuring variable is further categories into two different variables by separating the M&A and downsizing, but this study showed equal effects of both variables on PCB. This shows in any kind of change situation whether it is (M&A or downsizing) the degrees of perception about perception about to which extent their employer has been unsuccessful to fulfill promises or obligations (PCB) is same.

It is also found that only one control variable likes position in bank showed significance with psychological contract breach. Moreover, it is very interesting to note that employees who are at lower level job like (cash, credit, remittance, foreign exchange officers) have more contract breach than the employees who are at the higher level job. This might probably be due to extent of involvement that participant had in the organization since their position was involved with decision making less than their counterpart. This is similar to the study of (Hui-Chin Chu & Chi-Jung Fu, 2005), they were found that Position was also one of the factors

affecting employee PC satisfaction. The higher the positions participants had, the more satisfied PCs they held.

6.1.2 The moderating role of leadership style in relation between psychological contract breach and organizational changes.

Overall, this study showed that leader as an important organizational representative reduces the breaching of psychological contract during organizational restructuring. Prior research suggests that supervisor (leader) is most important organizational representative in the employment relationship, plays an especially meaningful role in the development and maintenance of psychological contract (Rousseau, 1995). Beatty and Lee (1990) provides evidence that leadership styles (transactional versus transformational) would appear to be a factor that may influence the contents of psychological contract.

Thus keeping in view all these arguments this study explores the leadership role in situation of organizational restructuring and psychological contract breach. The results of regression analyses for hypothesis3 has proven that when restructuring (merger, acquisition, & downsizing) take place in private commercial banks of Pakistan, the transformational leadership through their art of mobilizing the peoples reduces employee's perception about to which extent their employer has been unsuccessful to fulfill promises or obligations (PCB). Research thus far has shown the transformational approach to leadership to be highly effective in situation of complex change (Seltzer & Bass, 1990).

Overall this study showed transformational leadership is significant moderator because it reduces the effects of restructuring on breaching of psychological contract, such interaction effects (i.e., moderators) are important to study because they are common in psychological research, perhaps even the rule rather than the exception (Jaccard et al., 1990).

It is very interesting to note that affect size of leadership style on PCB as an independent variable is high ($\beta = -.335$; $p < 0.001$) compared to interaction effect ($\beta = -.326$ $p < 0.5$). It is

found from present study, that in Pakistani private commercial banks, restructuring like (merger, acquisition, & downsizing) in the employment relationship have more negatively effect on employees PCB but transformational leadership plays very crucial role in order to reduce the negative effects of PCB.

6.1.3 Psychological contract breach and job attitudes (organizational identification, turnover intentions)

Two job attitudes i.e. organizational identification and turnover intentions have been examined to study the affects of organizational restructuring on psychological contract breach of employees working in private commercial banks of Pakistan.

Organizational identification is very important attitudinal variable to be explored when studying the affects of PCB on job attitudes of employees working in various private commercial banks of Pakistan. In Pakistan people who serve in private banks as members they get respect in society when they introduce themselves with respect to their employer bank, this is relevant to the study of Mael and Ashforth (1992), krenier and Ashforth (2004), they found positive relationship between PCB and organizational disidentification. The results of this study have demonstrated that perception of breach of psychological contracts leads bank employees to identify themselves with respect to their bank in society lesser. Perception of breach of psychological contract has significant negative affects on bank employee level of organizational identification (standardized $\beta = -.588$; $p < 0.001$). This is similar to the current results of empirical study of Restubog et al., (2008).

Turnover intentions is another most commonly studied work attitudes to determine the negative affects of PCB (Zhao et al, 2007; Robinson and Rousseau, 1994), the findings from present study revealed a significant direct relationship between PCB and turnover intentions. The relationship between an employee and his/her employer is bounded by a psychological contract as argued by Robinson and Rousseau (1994); this contract provides assurance that if

each does his or her part, the relationship will be mutually beneficial, In the case of where PCB occurs, the bond may be broken causing the employee to lose faith in the benefits of staying in the relationship. As a result, the employee is more likely to leave the organization/employer. The results of hypothesis 2b also have proven the results consistent with other authors that psychological contract breach has significant positive affects on turnover intentions (standardized $\beta = -.390$; $p < 0.001$). In other words failure of banks to fulfill their obligations or promises which they made to their employees at the time of hiring will lead employees to feelings of quitting, in other words increases an employee's tendency to stop being an organizational member. This finding is similar to the findings of many past research studies such as Johnson and Zhao et al., (2007), Robinson and Rousseau (1994) , Lum, Kervin, Clark, Reid, & Sirola, (1998). These results are also in line with affective events theory (Weiss & Cropanzano, 1996), as well as social exchange theory (Blau, 1964). When employees perceive their psychological contract as breached, they react to this breach by a decrease in organizational identification and increase in turnover intentions. Current results show that psychological contract breach does have a significant Impact on organizational identification and turnover intentions.

It is very interesting to note that effect size of psychological contract breach on organizational identification is high ($\beta = -.588$; $p < 0.001$) compared to turnover intentions ($\beta = .390$ $p < 0.001$). It means that, employees who got jobs as bank employees in private commercial banks they even feel less proud and respect to be identifying themselves with respect to their bank when their banks made breach of their psychological contracts but they think about quilting less frequently, This may be because of socio-economical and cultural affects such as large number of unemployment in Pakistan, less availability of attractive alternatives because individual turnover intentions depends on two premises: a) the available working alternatives, depending on both individual characteristics, such as skills and age, and external factors, such as rate of unemployment and b) the monetary, social, psychological and other costs related to leaving the organization. When no attractive alternative is available or the exit costs are unbearably high, employees are likely to feel locked in place (Jaros et al., 1993).

6.2 Cultural effects on Current Study

Similar to some other Asian countries, Pakistan has higher degrees of some socio-cultural dimensions e.g. Paternalism, loyalty towards community (Aycan at all2000).

In eastern culture paternalism is one of the most desired characteristics of people in authority (Aycan at all2000). This type of cultural nature might be a reason of current findings, that transformational leadership reduces the PCB in time of restructuring, because in paternalistic type of relationship the role of supervisor is to provide guidance, protection, nurturance and care to the subordinate and the role of the subordinate, in return, is to be loyal and deferent to the supervisor. In this study transformational leadership through their art of mobilizing people and building trust among peoples reduces the negative of effects of PCB, it might be because of paternalist type of culture on Pakistan.

Second, socio-cultural dimension that might be effect to cause the PCB is, masculine type of culture in Pakistan, specially banking sector is heavily dominated by male (as mentioned in table 2). It might be one of the reasons for PCB, because it was observed in this study that females have less breaching of contract than male, it shows that PCB might not be occur in the female dominated organization in Pakistan. Overall, current findings are similar to previous findings in the field of PCB and organizational changes.

6.3 Contribution

The findings of this research study are not only consistent with the findings of past research but they also strengthen the existing literature on psychological contract/psychological contract breach and organizational restructuring in the following manner:

This study strengthens the research on psychological contract breach by using the research sample of bank employees working in private commercial banks of Pakistan to examine, the affects of organizational restructuring on PCB and their outcomes: organizational identification and turnover intentions.

Despite many studies regarding organizational changes and psychological contract like organizational change and dynamics of psychological contracts: A longitudinal study. Freese,C.(2007), Attitudinal and behavioral outcomes of psychological contract breach: Kickul J, Lester SW, Belgio E. (2004A), Psychological contract and change (Morrison, D. E. ,1994). The impact of organizational changes on the psychological contract and attitudes towards work (Schalk & Freese, 2007), but still leadership styles and psychological contract breach is new area, though literature provides evidence that leadership is highly related to employee satisfactions and organizational effectiveness (Bateman & Organ, 1983), even though a very few studies to date that has explored the unique aspects of psychological contracts from the perspective of leadership styles.

Overall this study extends the scope of current studies by exploring the new field regarding the interaction role of leadership style in relation between PCB and organizational restructuring.

Further more this study focused on global measure of psychological contract breach, likewise (Robinson and Morrison, 2000) in a sense that current study does not focused on specific content items separately such as (high pay, bonuses, training, career developments) but it focused on overall perceptions of employees about how much their organization has fulfilled promises or obligations that it owed.

6.4 Limitations

Besides some useful contributions, this study also has some limitations such as the sample of this study was limited. Consequently, more work is necessary before generalizing these findings to employees who have experienced such ventures safely. Nonetheless, this study provides a platform for understanding and managing employee attitude in cases of organizational restructuring (merger, acquisition and downsizing).

Secondly, most important limitation of this study is that the measurement of the psychological contract does not reveal the dynamics of this psychological contract in relation to a particular change. All kinds of social and work-related aspects can influence and therefore change the psychological contract over time (e.g. Ho & Levesque, 2005; Lester, Kickul & Bergmann, 2007).

Third, the study solely aimed at investigating the leadership style and PCs; moreover, many other factors impacting on employee PCs other than leadership style, such as organizational citizenship, work satisfaction, and so forth were also excluded in this study.

Fourth, findings may be influenced by common methods variance because of the use of Self-report measures.

6.5 Directions for future research

There are several important areas that need further research in future on impacts of organizational restructuring on psychological contract breach and the effects of psychological contract breach on work-related outcomes. First, the more research is required to evaluate the concept of organizational changes and PCB by interacting the leadership styles (transactional, transformational) because Change is a very broad Concept and, although most authors agree that it is a multidimensional concept, definitions and dimensions of change are manifold (Smith, Evans & Westerbeek, 2005). A major distinction in this respect is change as something that can be planned versus change as something that occurs naturally.

This study shed light the leadership styles, more details study should be done by considering the different leadership approaches: power influence approach and behavioral approaches.

Current study has only focused on two attitudinal outcomes, but in future come research studies might include some more attitudinal as well as behavioral variables.

This study did not account the affects of some other hypothetical moderating variables in direct relationship between psychological contract breach and organizational restructuring. It is therefore, suggested that future research could study some potential moderating variable such as cultural affects.

As this is a first study in organizational restructuring and PCB in Pakistani context so, it is strongly recommended to conduct more research on PCB in Pakistani context with a different nature of population sample i.e. blue collar workers, non-governmental organizations. Moreover the future research may be considered to conduct a cross section and cross function study in this area such as selecting large numbers sample (N=400) from different industries, would help to make the research results more effective and easier to be generalized to other organization.

A longitudinal study could help towards establishing causality among the study variables, because psychological contract perception may vary at different times, Morrison and Robinson (1997).

6.6 Practical implications

As it is mentioned earlier that, this research addressed the impacts of organizational restructuring on the PCB and job attitudes of employees working in private commercial banks of Pakistan, Thus practically this research provides the implications for HR managers and change managers, to know the contents of psychological contract, besides this research Several other authors already stressed the important for change managers to know the content of the psychological contract when confronted the organizational changes, because “as organizations are not aware of the content of the psychological contract, they cannot

predict how the challenges will affect the psychological contract are violated“ (Freese,2007,p.14).

The findings of this study practically implicated in following manner:

First, organizations operating in highly uncertain environment especially in case of Pakistan because of socio-political instability therefore changing environments need to be more judicious and conservative in the promises they make to newcomers, moreover, administrators and managers of private commercial banks should not make unrealistic promises to their employees at the time recruitment such as in future failure of organization to fulfill these unrealistic promises might create perception of breach in the minds of its employees that in turn can influence negatively to their work-attitudes.

Second: it is vital that banks communicate clearly with employees about the scope of the changed psychological contract and the time frame within which PCB will be remedied (if they are to be remedied).

Third, in paternalistic culture of Pakistan, the quality of working relationship between supervisors and employees should reduce the negative outcomes of PCB in situation of organizational restructuring. For instance, at private commercial banks in Pakistan which had undergone restructuring, employees who have trust with their supervisors were less likely to engage in destructive behaviors.

6.7 Conclusion

This study addressed two important research questions. First, what are the effects of Pakistani private banks restructuring on psychological contract breach of their employees, how do their employees respond to these changes? Second, how does transformational leadership interact in case of restructuring and psychological contract breach?

Data of 150 employees were collected through personal and internet surveys, from various private commercial banks of Pakistan. Multiple hierarchical regression analyses were used to test various hypotheses designed for this research study. The results of regression analyses demonstrated that restructuring (merger, acquisition, and downsizing) has significant negative and equally effects on PCB, in response to that effect employee's turnover intentions increase and organizational identification decrease. The results of this study also showed that transformational leadership effectively reduces the negative affects of restructuring on PCB.

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Appendix I & II

(Cover letters)



Dear Sir/Madam

I am a Pakistani researcher in Human Resources Management at University of Twente, Enschede-The Netherlands. I am conducting a study on “*job attitudes of Pakistan's bank employees*”.

I need your help to best understand the un-written contract between employees and their banks.

If you are an employee in any private commercial bank of Pakistan then please click the following link and answer the few questions that will hardly take your 5 to 7 minutes.

<http://www.esurveyspro.com/Survey.aspx?id=c9755f7c-40fc-4b56-bf22-47277e473c82>

The questionnaire is anonymous. **Please, do not mention your bank name or your name**

If you have any questions or concerns about the questionnaire or about participating in this study, you may contact me at **s.syed@student.utwente.nl**. You can also request for key research findings through same email address.

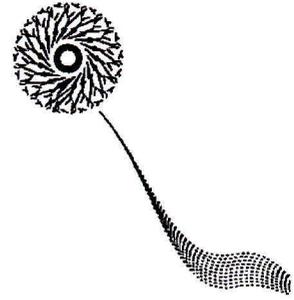
Thanks for your cooperation,
Sincerely,

Sumaiya Syed

Researcher In HRM
Institute of Management And Governance
University of Twente
Enschede-The Netherlands

**SCHOOL OF MANAGEMENT AND GOVERNANCE
OPERATIONS ORGANIZATION AND HUMAN RESOURCES**

To



Your ref.:
Our ref.:
Date: 12-01-2010

Phone: +31 53 489 3480
Fax: +31 53 489 2159
E-mail: J.deleede@utwente.nl

Dear Mr/Mrs,

Enclosed you will find a hyperlink to a survey. This survey is an essential part of the MBA-thesis of Sumayia Syed.

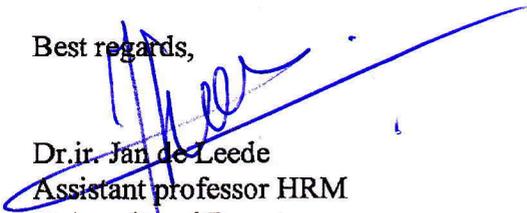
The results will be communicated among the participating companies.

On behalf of the University of Twente (the Netherlands), I kindly request you to complete the questionnaire.

By this, you are helping research and education in the important topic of the impact of workplace transformations on the psychological contract of employees. This part of the worldwide ongoing research is taken place in the banking industry in Pakistan.

Thanks in advance.

Best regards,


Dr. ir. Jan de Leede
Assistant professor HRM
University of Twente
Faculty of Management and Governance
Department of Operations, Organization and Human Resources

Appendix III (Questionnaire)



“An analysis of employee attitudes”
University of Twente Enschede the Netherlands

Please, do not mention your bank name or your name

Please select your desired response		Strongly disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree
01	Has your bank initiated a significant layoff/Quit in the past 3 years?	1	2	3	4	5
02	Has your bank undergone significant reorganization in the past 3 years?	1	2	3	4	5
03	Has your bank merged with or been acquired by another bank in the past 3 years?	1	2	3	4	5
04	Almost all the promises made by my bank during recruitment have been kept so far.	1	2	3	4	5
05	I feel that my bank has come through in fulfilling the promises made to me when i was hired.	1	2	3	4	5
06	So far my bank has done an excellent job of fulfilling its promises to me.	1	2	3	4	5
07	I have not received everything promised to me in exchange for my contributions.	1	2	3	4	5
08	My bank has broken many of its promises to me even though i have fulfilled my obligations.	1	2	3	4	5
09	All in all, I am satisfied with my job.	1	2	3	4	5

10	In general, I do not like my job.	1	2	3	4	5
11	In general, I like working here.	1	2	3	4	5
12	When somebody criticizes my bank, I feel it like a personal insult.	1	2	3	4	5
13	I am very interested in what others think about my bank.	1	2	3	4	5
14	When I talk about my, I usually say rather we rather than they.	1	2	3	4	5
15	My bank successes are my successes.	1	2	3	4	5

16	When someone praises my bank, I feel it like a personal compliment	1	2	3	4	5
17	If a story in the media criticized my bank, I would feel embarrassed /uncomfortable.	1	2	3	4	5
18	I will likely actively look for a new job in the next year.	1	2	3	4	5
19	I often think about quitting.	1	2	3	4	5
20	I probably look for a new job in the next year.	1	2	3	4	5
21	My manager instills pride in me for being associated with him/her.	1	2	3	4	5
22	My manager talks optimistically about future.	1	2	3	4	5
23	My manager Keeps track of all mistakes.	1	2	3	4	5
24	My manager provides me with assistance in exchange for my efforts.	1	2	3	4	5
25	My manager avoids getting involved when important issues arise.	1	2	3	4	5

Please select the appropriate choice

Gender: Male Female

Education: select the highest educational degree.

Bachelors Masters M.Phil Doctorate

Designation: General Manager Operational manager others _____

Age: 25 or less than 25 years

26 to 30 years

31 to 35 years

36 to 40 years

41 to 45 years

46 to 50 years

Greater than 50 years

Appendix IV

(Descriptive statistics and reliability tests)

	N	Mean	Std. Deviation	skewness	Kertosis
	Statistic	Statistic	Statistic	Statistic	Statistic
Has your bank initiated a significant layoff/quit in the past three years.	150	3.63	1.255	-.905	-.359
Has your bank undergone significant reorganization in the past three years?	150	4.04	1.181	-1.293	.662
Has your bank merged with or been acquired by another bank in the past three years?	150	3.70	1.268	-.839	-.463
PCB1R	150	3.10	1.214	-.148	-1.028
I feel that my bank has come through in fulfilling the promises made to me when i was hired	150	3.33	1.190	-.488	-.900
So far my bank has done an excellent job of fulfilling its promises to me.	150	3.25	1.275	-.369	-1.075
I have not received everything promise to me in exchange for my contribution	150	3.43	1.206	-.384	-1.029
My bank has broken many of its promises to me even though i have fulfilled my obligations	150	3.82	1.153	-.812	-.468
All in all i am satisfied with my job	150	2.57	1.277	.487	-.920
In general i do not like my job	150	3.01	1.201	-.272	-.924

In general , I like working in this bank	150	2.97	2.190	5.997	56.635
when somebody criticizes.... person insult	150	2.73	1.241	.692	-.193
I am very interestedwhat orher think about my bank	150	2.667	1.2188	.687	.081
when i talk about ...we rather than lthey	150	2.72	1.210	.440	-.864
my bank successes are my successes	150	2.49	1.145	.726	-.314
when someone preaises.... personal compliment	150	2.75	1.183	.382	-.821
If a story in a media criticized my bankfeel uncomfortable	150	2.85	1.083	.329	-.322
I will likely actively look for new job in the next year	150	3.81	1.328	-.941	-.377
I often think about quitting	150	3.77	1.227	-.817	-.479
I probably look for a new job next year	150	3.49	1.374	-.473	-1.154
My mananger pride in me for being associted with him	150	2.56	1.435	.506	-1.203
My manager talk optimistically about future	150	2.61	1.361	.355	-1.237
My manager keep track of all the mistakes	150	3.03	1.348	.039	-1.379
My manager provides me with assistance in exchange for my efforts	150	2.47	1.162	.913	-.160
My manager avoids getting involved when important issues arise	150	3.21	1.379	-.220	-1.373

Reliability Statistics (REST)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.837	.837	3

Reliability Statistics(PCB)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.650	.650	5

Reliability statistics (OID)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.892	.892	6

Reliability Statistics(LSTYLE)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.741	.738	3

Reliability Statistics(TRNI)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.791	.791	3

Appendix V

(Finally selected items for regression analysis)

REST: (Organizational restructuring) to measuring the organizational changes/restructuring the following questions were asked, the internal consistency of the scale was $\alpha = .837$.

1. Has your bank initiated a significant layoff in the past 2 years?
2. Has your bank undergone a significant reorganization in the past 2 years?
3. Has your bank merged with or been acquired by another organization
In the past 2 years?

PCB: (Psychological contract breach) after reliability test following items were selected for measuring the psychological contract breach, with Internal consistency $\alpha = .650$.

1. Almost all the promises made by my bank during recruitment have been kept so far (R).
2. I feel that my bank has come through in fulfilling the promises made to me when I was hired (R).
3. So far my bank has done an excellent job of fulfilling its promises to me (R).
4. I have not received everything promised to me in exchange for my contributions.
5. My bank has broken many of its promises to me even though I have fulfilled my obligations.

OI (organizational identification) six items are selected for measuring the organizational identification, the internal consistency of the scale was $\alpha .892$

1. When somebody criticizes my bank, I feel like a personal insult
2. I am very interested in what others think about my bank.

3. When I talk about my bank, I usually say we rather than they.
4. My bank successes are my successes.
5. When someone praises my bank, it feels like a personal compliment.
6. If a story in the media criticized my bank, I would feel embarrassed.

TRNI (turnover intention) following three items selected for measuring the turnover intention of employees the internal consistency of the items were $\alpha = .791$

1. I will likely actively look for a new job in the next year.
2. I often think about quitting.
3. I probably look for a new job in the next year.

LSTYLE (leadership style) for measuring the role of leadership following items were selected with internal consistency of $\alpha = .74$.

1. My manager pride in me for being associated with him.
2. My manager talks optimistically about future.
3. My manager provides me with assistance in exchange for my efforts.

Appendix VI

(Basic Facts and Figures of Islamic Republic of Pakistan)



Basic Facts

Official name	Islamic Republic Of Pakistan
Capital	Islamabad
Area	796,095 sq km 307,374 sq mi

Population growth

Population	176,242,950 (2009 estimate)
Population growth rate	1.95 percent(2009 estimate)
Projected population in 2025	228,880,744 (2009 estimate)
Population density	226 percent (2009 estimate)

Urban/Rural distribution

Share Urban	37 percent(2009 estimate)
Share Rural	65 percent (2009 estimate)

Languages

Official	Urdu (English is commonly used)
Regional	Sindhi, Punjabi, Pashtu, Balochi, Saraiki.

Religious Affiliations

Sunni Muslims	77%
Shia Muslims	20%
Christian, Hindu and others	3%

Health and education

Life expectance	64.5 years ((2009 estimate)
Male	65.6years (2009 estimate)
Female	63.4 years (2009 estimate)
Infant morality rate	65 deaths per 1,000 live births (2009)

Literacy rate

Total	54.9%
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Economy

Gross domestic Product (GDP, U.S.\$)	\$ 143 billion (2007)
GDP per capita (U.S.\$)	\$ 879.40
GDP by economic sector	Agriculture, forestry, fishing 20.6 percent Industry 26.6% Services 52.8%

Agriculture

Sugarcane, wheat, rice, cotton lint, corn, livestock

Mining

Petroleum, limestone, rock salt, gypsum, silica sand, natural gas, coal

Monetary unit

1 Pakistani rupee (Pre), consisting of 100 paisas

Manufacturing

Textiles, food products, petroleum products, consumer goods, fertilizers, chemicals, cement

Major exports

Cotton clothing, thread, and textiles; raw cotton and rice; petroleum, leather, and fish products.

Major imports

Machinery, electrical goods, petroleum products, transportation equipment, metals and metal products, fertilizer, foodstuffs

Major trade partners for exports

United States, United Arab Emirates, United Kingdom, Germany, and Hong Kong SAR

Major trade partners for imports

United Arab Emirates, Saudi Arabia, Kuwait, United States, and Japan

Source: Microsoft Encarta Encyclopedia, 2009