Influences of psychological contract breach on oversea employees’ behaviors in Chinese transnational corporations

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ABSTRACT

Based on employee’s exit-voice-loyalty-neglect behavior model (EVLN model), this study was carried out in eight Chinese transnational corporations in South Africa and Zimbabwe. Data were gathered from 233 oversea employees in the corporations. Results revealed that psychological contract breach does not significantly predict exit behavior; both transactional contract breach and developmental contract breach have a negative influence on loyalty behavior significantly; relational contract breach has an negative impact, transactional contract breach has an positive impact on voice and loyalty behavior respectively. Differences from other studies before were presented and discussed in the end of this paper.

Key words: Chinese transnational corporation; oversea employee; psychological contract breach; EVLN model

INTRODUCTION

With the enhancement of China’s comprehensive national strength and the continuous improvement of the degree of the global economic integration, more and more Chinese enterprises have increased their degree of internationalization by keeping pace with international community. Under the guidance of “Going out” strategy, many Chinese enterprises take an active part in international business, and their scale and influence overseas are increasingly improved. At the same time, large number of Chinese employees go overseas due to the need of engineering construction. These overseas expatriates not only suffer physical tiredness from work, but also have to overcome difficulties to adapt to the local climate, geographical position and natural environment, and endure long separation from their families, what have resulted in their psychological changes. All these will have a great influence on the work efficiency, degree of engagement and work performance of overseas employees (Jiao et al., 2011) [1], and will bring great challenges to staff management of these enterprises.

Psychological contract is the basis for understanding the relationship between employees and their organizations. The study on psychological contract has already become the latest and most cutting-edge view of encouraging employees and establishing fine employment relationship in the Western countries, and is gradually becoming the analytical framework of the changing employ'ment relationship and employment policies. With the increasing international market competition, many enterprises have to undergo structural adjustment, restructuring, merger, business outsourcing, institution simplification, organization flattening, etc., during which the organizations may no longer want to or have not adequate ability to perform all their past promises, leading to frequent occurrence of psychological contract violation and breach, thus decreasing the satisfaction of many employees and increasing their negative and hostile emotions, ultimately affecting the work performance of employees and organizations.

As the subjective perception or cognitive evaluation of employees on failure of the organizations to fulfill their commitments or duties in the psychological contract[2,3], psychological contract breach is a kind of cognitive feeling of the employees that the gained is less than the promised. Studies have confirmed that psychological
contract breach will have a significant negative impact on the working attitudes and behaviors of the employees[3, 4-6], such as organizational commitment, organizational citizenship behavior, work satisfaction and turnover intention, etc. Exit-voice-loyalty-neglect (EVLN) behaviors are an integrated model for analyzing the behavior reaction of employees under the condition that employees feel less satisfied with their works and the exchange relationship with their organizations. The model has been developed by Rusbult et al. (1982, 1983), Rusbult et al. (1986) [7-9] after being put forward by Hirschman[10] in 1970 and has become a relatively mature analytical model.

According to the definition of employees’ EVLN reaction by Hirschman (1970) and Rusbult et al (1982, 1988), the exit behavior refers to the psychology and behavior of leaving the organization by way of resigning, transferring, finding a new job or considering resigning, etc. The voice behavior refers to the behavior of making positive and constructive efforts, such as discussing difficulties in work with their supervisors or colleagues, taking actions to settle difficulties, proposing solutions and seeking help from the outside, etc. to improve the environment and conditions. The loyalty behavior refers to the behavior of passively but optimistically waiting for the environment and conditions to be improved by way of giving support to the organization publicly or privately, waiting for or hoping improvement and offering citizen behavior. The neglect behavior refers to the behavior of letting the situation deteriorate by way of reducing efforts and interest, being late and absent for a long time, doing personal business during working hours, increasing error rate, etc [7, 8, 10]. The four behaviors correlate with each other to constitute a system, which form the classification model according to positive-negative and destructive-constructive pairwise dimensions as shown in Fig. 1 [11].

In the destructive-constructive dimension, voice and loyalty are a form of constructive reaction, in which individuals attempt to get and maintain satisfactory employment relationship; whereas exit and neglect are a form of destructive reaction, which will aggravate the employment relationship. In the positive – negative dimension, exit and voice are a kind of positive reaction mechanism, thereby employees try to settle their dissatisfaction with the organization; whereas loyalty and neglect reflect more passiveness and negativeness of employees in the employment relationship, here “negative” refers to the effect of an action rather than the reaction itself.

Based on EVLN model, this paper studies the behavior reaction of overseas Chinese employees after psychological contract breach with a view to providing theoretical guidance and help for management of overseas Chinese employees’ psychological contract.

![Fig. 1: Individual exit-voice-loyalty-neglect reaction classification model](image)

**HYPOTHESIS DEVELOPMENT**

Psychological contract breach is due to the organization’s failure to fulfill its responsibilities and duties which it should bear for employees. When employees perceive psychological contract breach, they will show negative attitude and behavior reaction in many aspects.

According to social exchange theory (Blau, 1964) and justice theory (Greensberg, 1990)[12], psychological contract breach is very likely to arouse employees’ sense of injustice (Morrison and Robinson, 1997)[2] and reduce their sense of interaction towards the employment relationship between them and the organization (Turnley & Feldman, 1999)[3].
Therefore, employees will compare their input and income in their organization and then take actions to achieve a balance between input and income. As a negative event occurring or existing in the organization, psychological contract breach may make employees have negative attitude and behavior, which, if exceeding the employees’ tolerance limit, will possibly cause employees to terminate the employment relationship between them and the organization.

Empirical studies have also confirmed that psychological contract breach has a significant effect on employees’ exit intention (Robinson & Rousseau, 1994; Robinson, 1996; Tumley & Feldman, 1999; 2000; Shen Yimo and Yuan Denghua, 2007; Doulac, et al. 2008)[13, 6, 3, 14, 15, 16]. Zhao et al. (2007) conducted meta-analysis on the past empirical studies and found that psychological contract breach has significant positive correlation with employees’ exit intention, but does not have significant relationship with the actual exit behavior[17]. According to above analysis, this study puts forward the first hypothesis:

**Hypothesis 1** Psychological contract breach has a significant positive effect on employees’ exit behavior. Specific to each dimension of psychological contracts, development contract breach has a significant positive effect on employees’ exit behavior, relational contract breach has a significant positive effect on employees’ exit behavior, and transaction contract breach has a significant positive effect on employees’ exit behavior.

In the study framework of psychological contract breach and violation, voice behavior is conceptualized as the constructive effort behavior taken by employees to remedy employment relationship with the organization (Tumley & Feldman, 1999)[3]. Voice often appears as the behavior of appealing to the supervisor with higher authority, and is the main mechanism which the employees use to promote beneficial change of the organization (Hirschman, 1970)[7]. When psychological contract breach occurs, employees will take the way of correcting the injustice perceived through voice to resist the negative effect which may be brought about by psychological contract breach, and if employees have good working relationship with their superior leaders, they more likely behave like this way (Tumley & Feldman, 1999)[3].

According to above analysis, the present study puts forward the second hypothesis:

**Hypothesis 2** Psychological contract breach has a significant positive effect on employees’ voice behavior. Specific to each dimension of psychological contracts, development contract breach has a significant positive effect on employees’ voice behavior, relational contract breach has a significant positive effect on employees’ voice behavior, and transaction contract breach has a significant positive effect on employees’ voice behavior.

According to the definition of employees’ EVNL reaction by Hirschman (1970) and Rusbult et al (1988), the organizational loyalty behavior refers to the behavior of passively but optimistically waiting for the environment and conditions to be improved by way of giving support to the organization publicly or privately, waiting for or hoping improvement and offering citizen behavior[7,11]. In the studies of psychological contract breach, because what motional commitment describe is the employees’ sense of identity and emotional attachment relationship towards the organization, to some extent, the reflection of employees’ loyalty, therefore, in many studies emotional commitment in organizational commitment is often treated as a replacement of loyalty. Psychological contract breach will reduce the level of emotional commitment of employees, this has been supported by many empirical studies (Zhao et al, 2007; Dulac et al, 2008; Kickul et al, 2004; Raja et al, 2004; De Cuyper et al, 2008) [17,16,18,19, 20]. Some scholars also directly use ‘loyalty’ as the operating variables. For example, Robinson and Rousseau (1994) found that psychological contract breach has a negative correlation with the perceived loyalty to the organization [13]. Tumley and Feldman (1999) also found that the degree of psychological contract breach perceived by the organization managers has a significant negative correlation with their loyalty to the organization [3]. According to the definition of loyalty defined by Rusbult et al (1988), it can be inferred that the lower emotional commitment and organizational identity of employees will reduce the possibility of employees waiting for improvement of environmental conditions of the organization in an optimistic and constructive manner.

According to above analysis, the present study puts forward the third hypothesis:

**Hypothesis 3** Psychological contract breach has a significant negative effect on employees’ loyalty behavior. Specific to each dimension of psychological contracts, development contract breach has a significant negative effect on employees’ loyalty behavior, relational contract breach has a significant negative effect on employees’ loyalty behavior, and transaction contract breach has a significant negative effect on employees’ loyalty behavior.

According to the definition of employees’ EVNL reaction by Hirschman (1970) and Rusbult et al (1988), the neglect behavior refers to the behavior of letting the situation deteriorate by way of reducing efforts and interest, being late and absent for a long time, doing personal business during working hours, increasing error rate, etc [7, 11]. There are
fewer studies on direct measurement of neglect behavior, and the few studies conducted by Turnley, Feldman(1999) and Si et al (2008) confirmed that the higher the degree of psychological contract breach is, the more neglect behaviors of employees are [3, 21]. Most previous studies adopt the reduction of performance in the role, the decrease of organizational citizenship behavior, absence from work, etc. as the neglect variables. The related studies show that high level of psychological contract breach will decrease employees’ organizational citizenship behavior and reduce performance in the role (Zhao et al, 2007)[17]. And psychological contract breach will result in occurrence of such negative behaviors as more employees’ absences from work and neglect behaviors in their roles (Turnley and Feldman, 2000; Freese and Sehalk, 1996)[5,22].

According to above analysis, the present study puts forward the fourth hypothesis:

**Hypothesis 4** Psychological contract breach has a significant positive effect on employees’ neglect behavior. Specific to each dimension of psychological contracts, development contract breach has a significant positive effect on employees’ neglect behavior, relational contract breach has a significant positive effect on employees’ neglect behavior, and transaction contract breach has a significant positive effect on employees’ neglect behavior.

According to four hypotheses above, a model for the effects of employees’ psychological contract breach on exit-voice-loyalty-neglect reaction is set up(Fig. 2).

**Fig. 2:** Assumption model for the effect of employees’ psychological contract breach on exit – voice – loyalty - neglect reaction

**DATA AND METHOD**

**SAMPLE**
The present study distributed 300 copies of questionnaire to the employees of 8 Chinese enterprises in South Africa and Zimbabwe, 239 copies are collected, 6 copies with individual information missing and obvious information distortion are abandoned, the number of the final valid copies of questionnaires is 233 with an effective collection rate of 77.7%. The sample included 91.4% man, most of them are married, accounting for 77.1%. The most participations of the sample are working in private enterprises and joint-equity enterprises, only 40 persons are working in state-owned enterprises, accounting for 17.2%. Their education degrees are extensive, from middle school students to postgraduates, more of them are high school students and undergraduates, accounting for 32.1% and 28.3%, respectively. Both the middle school students and junior college students account for 18.8%, while the number of postgraduates is low, accounting for only 2.5%. Viewing from trade distribution, they are mainly distributed in mineral exploitation and real estate building, accounting for 52.3% and 32.8%, respectively. The participations are mainly engaged in management and technical work, accounting for 70% and 28.2%, respectively. The tenure is mostly 3~5 years and 1~3 years, accounting for 33.8% and 25.3%, respectively.

**MEASURES**

**Exit-Voice-Loyalty-Neglect behavior scale**
The exit-voice-loyalty-neglect behaviors scale used in present study are made by adaptation and revision of the rating scales of Rusbult, et al (1988)[11], which was well-developed English-based measures. Because this study was conducted in a Chinese context, all items were translated from English into Chinese, and from Chinese back into English. We then compared the original and back-translated English items to ensure item equivalence.
There are 20 items in the scale, among them, 4 items for exit behavior (e.g., I often want to resign from my present work), 5 items for voice behavior (e.g., if I encounter a problem in my work, usually I will communicate with my superior leader), 5 items or loyalty behavior (e.g., before my friends, I always speak highly of my working unit), and 6 items for neglect behavior (e.g., sometimes, I am less willing to put excessive efforts in my work). The responses were rated on a Likert 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree), the higher score represents higher level of employee’s exit, voice, loyalty and neglect behaviors.

**Psychological contract breach scale**

Based on two English versions of psychological contract questionnaire by Rousseau (1995) [23] and a Chinese version by Li Yuan, et al (2006)[24], we confirmed three psychological contracts of overseas expatriate employees of Chinese enterprises as development contract, relational contract and transaction contract by interviews and questionnaire surveys. For the psychological contract breach, this paper adopts the method of direct measurement, i.e., directly measuring the difference between the employees perceived degree of commitment to the responsibilities which the organization should bear and the degree that the organization has performed in fact. The instruction is ‘To what extent each commitment of the organization to you has been realized and performed, please make a mark on the degree of performance as appropriate’. The responses were rated on a Likert 5-point scale ranging from 1 (above the commitment) to 5 (far lower than the commitment).

**RESULTS**

Table 1 shows the mean value of the variable, standard deviation, correlation coefficient between variables and reliability coefficient of the rating scales. It can be known from Table 1 that sex is negatively correlated with voice behavior significantly, the male voice behavior is more than female voice behavior. Age is negatively correlated with neglect behavior significantly, the smaller the age is, the more the neglect behaviors are. Education background is negatively correlated with voice and loyalty behaviors significantly, but is positively correlated with neglect behavior significantly, which indicates that the higher the education level is, the more the neglect behaviors are and the less the voice and loyalty behaviors are.

Correlation analysis also indicates that except for significant correlation between development contract breach and exit behavior, significant correlation exists between exit, voice, loyalty and neglect behaviors. As the same as the relationship between development contract, relational contract and transaction contract, there are significant correlations between behaviors and psychological contract breach. Hence, subsequent inspection analysis is more necessary.

Using AMOS8.0 and the structural equation model (SEM), we inspect the assumption model for the effect of employees’ psychological contract breach on exit-voice-loyalty-neglect reaction. First, the initial structural equation model is formed according to the path built in the assumption model to conduct path analysis. It can be seen obviously from the value of each parameter that the fitting condition of the initial model is not good (Table 2). The advices on correction raised after reference to model inspection allows pairwise correlation between residual errors of the four behavior variables, i.e., exit-voice-loyalty-neglect behaviors, and delete the cause-effect relationship path with insignificant path coefficient, the path relationship deleted specifically includes: effect of transaction contract breach on voice behavior, effect of relational contract breach on voice and neglect behaviors, and make correction to the assumption model.

**Table 1.** Mean value, standard deviation and correlation coefficient of each variable (N=233)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean value</th>
<th>Standard deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sex</td>
<td>1.0921</td>
<td>.28970</td>
<td>-----</td>
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<td>-----</td>
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<td>------</td>
<td>------</td>
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<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>2. Age</td>
<td>3.9030</td>
<td>1.66567</td>
<td>-.349</td>
<td>-----</td>
<td>------</td>
<td>-----</td>
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</tr>
<tr>
<td>3. Education</td>
<td>2.6414</td>
<td>1.15075</td>
<td>.315</td>
<td>-.369</td>
<td>------</td>
<td>-----</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
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<td>-----</td>
</tr>
<tr>
<td>4. Exit</td>
<td>1.8294</td>
<td>.69413</td>
<td>-.090</td>
<td>-.095</td>
<td>.104</td>
<td>(0.736)</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
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<td>-----</td>
</tr>
<tr>
<td>5. Voice</td>
<td>3.4701</td>
<td>.75578</td>
<td>-.146</td>
<td>-.120</td>
<td>-.189</td>
<td>-.284</td>
<td>(0.773)</td>
<td>------</td>
<td>------</td>
<td>------</td>
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<td>-----</td>
</tr>
<tr>
<td>6. Loyalty</td>
<td>4.0332</td>
<td>.76361</td>
<td>-.038</td>
<td>-.124</td>
<td>-.249</td>
<td>-.446</td>
<td>-.393</td>
<td>(0.847)</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>7. Neglect</td>
<td>1.5926</td>
<td>.64446</td>
<td>-.030</td>
<td>-.139</td>
<td>-.201</td>
<td>-.325</td>
<td>-.299</td>
<td>-.443</td>
<td>(0.859)</td>
<td>------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>8. Development contract breach</td>
<td>3.5150</td>
<td>.83732</td>
<td>.002</td>
<td>.045</td>
<td>-.090</td>
<td>.043</td>
<td>-.227</td>
<td>-.409</td>
<td>-.226</td>
<td>(0.875)</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>9. Relational contract breach</td>
<td>3.6048</td>
<td>.93199</td>
<td>.070</td>
<td>-.038</td>
<td>.011</td>
<td>.129</td>
<td>-.243</td>
<td>-.154</td>
<td>-.148</td>
<td>.748</td>
<td>(0.902)</td>
<td>-----</td>
</tr>
<tr>
<td>10. Transaction contract breach</td>
<td>3.4531</td>
<td>.91688</td>
<td>-.033</td>
<td>.025</td>
<td>.022</td>
<td>.160</td>
<td>-.200</td>
<td>-.343</td>
<td>.384</td>
<td>.768</td>
<td>.768</td>
<td>(0.882)</td>
</tr>
</tbody>
</table>

Notes: a: Male=1; b: 1=18-25 years old, 2=26-30 years old, 3=31-35 years old, 4=36-40 years old, 5=41-45 years old, 6=46-50 years old, 7=51-55 years old, 8=56 years old and above; c: 1=junior high school, 2=high school and secondary technical school, 3=junior college, 4=undergraduate, 5=postgraduate; **: p<0.01
The fitting parameters of the corrected model show very good agreement between the observed data and the corrected model. The ratio of Chi-square of the corrected model to degree of freedom is 2.209, which is less than 3. The Chi-square testing value P for goodness-of-fit is bigger than 0.05 (that is, it indicates no significant difference exists between the observed data and theoretical model). The goodness-of-fit index GFI, Tack-Lewis index TLI and comparative fit index CFI are all bigger than 0.90. The estimated value of the point of root mean square RMSEA of approximate error is less than the critical level of 0.05. All the indexes show better fitting of the corrected model for the effect of the observed data and psychological contract breach of the organization on the management EVLN. Therefore, this corrected model is acceptable. The totally standard solution of this model is shown as in Fig. 3.

### Tab. 2: Fitting parameters of the model for effect of psychological contract breach on exit, voice, loyalty and neglect behaviors

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$/df</th>
<th>p</th>
<th>GFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>TLI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial model</td>
<td>50.655</td>
<td>0.000</td>
<td>0.639</td>
<td>0.152</td>
<td>0.471</td>
<td>0.318</td>
<td>0.506</td>
</tr>
<tr>
<td>Corrected model</td>
<td>2.209</td>
<td>0.063</td>
<td>0.981</td>
<td>0.032</td>
<td>0.060</td>
<td>0.977</td>
<td>0.998</td>
</tr>
</tbody>
</table>

Fig. 3: Standard solution of corrected model for reaction of employees' psychological contract breach on exit, voice, loyalty and neglect behaviors

It can be seen from Fig. 3 that,

Hypothesis 1 is not supported. The psychological contract breach does not have significant positive effect on employees’ exit behavior. Specifically, each dimension of the psychological contract has no significant positive effect on employees’ exit behavior.

The result also does not agree with hypothesis 2. Hypothesis 2 thinks that each dimension of psychological contract breach has significant positive effect on employees’ voice behavior, but empirical results show that only the relational contract breach has significant effect on employees’ voice behavior, but the effect direction is opposite to positive effect of the hypothesis.

Hypothesis 3 is partially supported. The psychological contract breach has significant negative effect on employees’ loyalty behavior. The development contract breach and transaction contract breach do have significant negative effect on employees’ loyalty behavior, but the relational contract breach has no significant effect on employees’ loyalty behavior.

Hypothesis 4 is less partially supported. the significant positive effect of psychological contract breach on employees’ neglect behavior is only reflected by the significant positive effect of transaction contract breach on employees’ neglect behavior.

### DISCUSSION AND CONCLUSION

In the studies on psychological contract breach in western countries, many empirical studies reported that the breach of employees’ psychological contract will result in increase of employees’ exit, voice and neglect behaviors and
decrease of loyalty behavior. But some researches, especially, participations of samples come from oriental countries have conflict results with those studies which participations from western countries. It indicates that cultural difference has effects on behaviors of employees after their psychological contract breach. Studied on employees of Chinese enterprises, Bai Yanli (2010) found that psychological contract breach has no significant effect on voice behavior, while transaction contract breach has significant effect on employees’ exit, loyalty and neglect behaviors, and the development contract breach only has significant effect on employees’ exit behavior[25]. Wei Feng (2004)[26] took the managers of Chinese enterprises as the sample to study the effect of psychological contract breach on employees’ voice behavior reaction. Results show that the breach of relational contract has significant effect on neglect behavior, but the direction of effect is negative. In addition, the effect of psychological contract breach on employees’ voice behavior is negative, that is, the higher the degree of psychological contract breach, the less the voice behavior, this is opposite to the conclusion of western studies.

What’s the most significant difference of results of our study from others is that psychological contract breach has no significant effect on employees’ exit behavior. In addition, the psychological contract breach has significant negative effect on employees’ voice behavior. This may result from sample specificity of employees of Chinese overseas enterprises. The organization environment of Chinese overseas employees is not only different from western enterprises, but also different from Chinese native enterprises. As the expatriates dispatched from China mainland to foreign countries, the external opportunities of overseas employees in their working locales are very few due to language barrier and Chinese peculiar system. Therefore, after breach of psychological contract, it is very hard for them to choose exit behavior reaction. What is different from western corporations is the bigger distance of right between the employees and the leaders in Chinese enterprises. There is a lack of effective coordination mechanism for the relation between employers and employees. Particularly, in most Chinese enterprises bosses are despotic, lack of democratic decision-making mechanism, etc., which in turn suppresses employees’ voice behavior in their organization. Therefore, the foundation for occurrence of employees’ voice behavior in Chinese enterprises is completely different from western organizations. Breach of psychological contract means shortage of duty performance of the organization, which will have negative effect on employees’ voice behavior, i.e., the higher the degree of psychological contract breach, the less the voice behavior.

In addition, some studies show that the effect of psychological contract breach on employees’ EVLN is influenced by mediation effect of other organizational behaviors like work satisfaction, etc. as well as adjustment effect of other employee’s and organizational factors. Thus, the relationship between psychological contract breach and employees’ EVLN is not fast and hard, the disagreement of present study results with other studies may also result from the effect of these mediations or adjustment variables.

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