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MIRTE: A PSYCHOLOGICAL CONTRACT FRAMEWORK FOR AI TRANSFORMATION SUCCESS

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Poster:

Why AI Transformations Fail

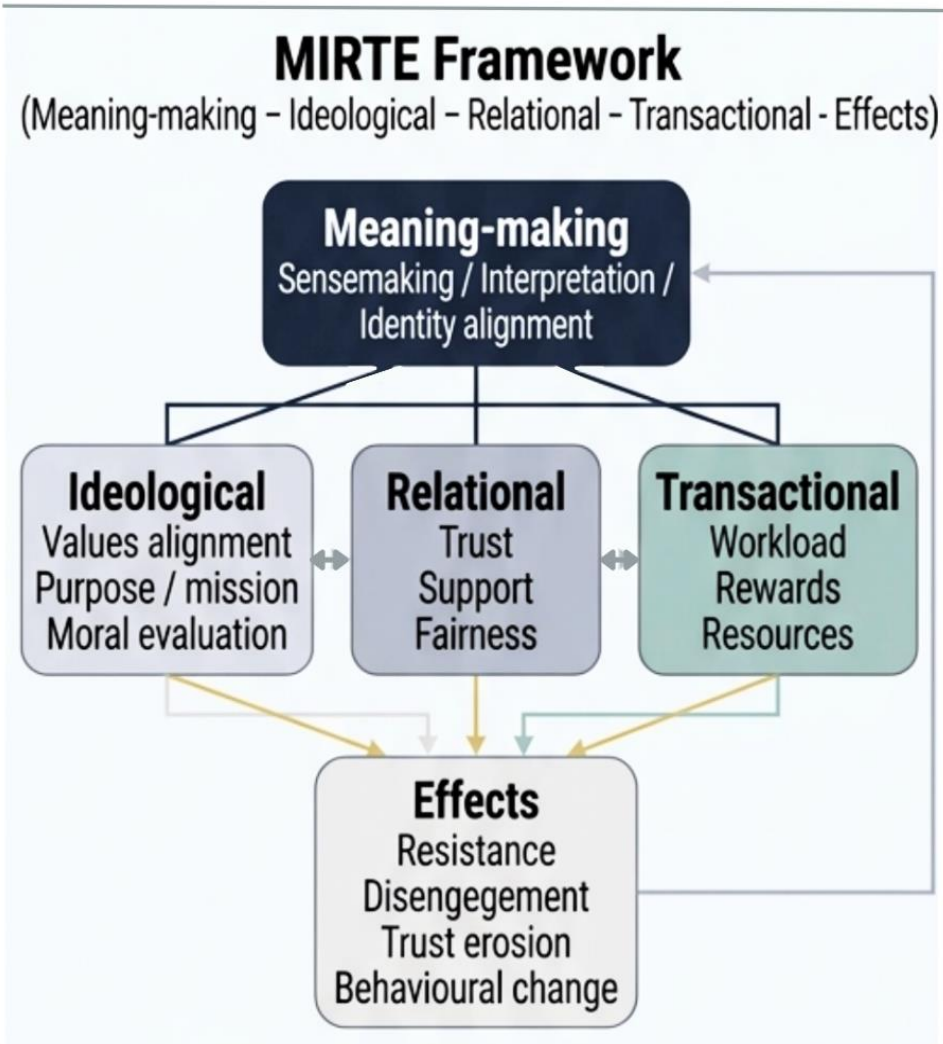
Even When the Strategy is Sound

A Multi-Domain Psychological Contract Diagnostic - MIRTE

Up to 70% of AI transformations fail to deliver expected value. Failure is typically attributed to 'people and processes' *(BCG, 2024).*
Underlying issue: multi-domain psychological contract misalignment.

Evidence. Literature: organisational disruption triggers subjective breach perceptions. Empirical evidence from organisational disruption contexts shows systematic recalibration of employee expectations.

The Gap: Existing psychological contract frameworks do not provide an integrated, multi-domain lens, limiting their ability to diagnose people-side transformation risk.



KEY INSIGHT.
AI resistance is interpretive - not behavioural. Misalignment emerges across domains and is aggregated into psychological contract appraisals, producing observable attitudinal and behavioural outcomes.

APPLICATION.
MIRTE provides a basis for comprehensive diagnostic of misalignment. Identifies early signals before resistance manifests. Aligns AI strategy with employee meaning systems

Employees do not resist change — they resist what it means. MIRTE makes this visible.

Ongoing work explores how this framework can be operationalised in organisational settings.

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Purpose

Despite substantial organisational investment in artificial intelligence (AI), automation, and algorithmic management, recent industry evidence indicates that only around a quarter of organisations succeed in moving beyond proofs of concept to generate tangible value from AI at scale, with a majority of initiatives failing to progress or to deliver expected benefits (BCG, 2024). At the same time, these studies consistently show that people-related issues, such as organisational resistance and weak governance, account for most implementation difficulties, while technical limitations represent a much smaller share of reported obstacles (BCG, 2024; Vial, 2019; Kellogg et al.,2020). Together, these findings suggest that transformation difficulties stem predominantly from employee-side misalignment rather than from technological inadequacy.

Psychological contract (PC) research - employees' beliefs about reciprocal obligations (Rousseau, 1995) - provides a powerful lens for understanding employee reactions to organisational change. However, dominant PC models, primarily focused on transactional and relational dimensions, remain insufficient for diagnosing vulnerability in contemporary transformations, because they do not fully capture the complexity of modern work as experienced, perceived and evaluated by employees.

This paper introduces MIRTE (Meaning-making, Ideological, Relational, Transactional psychological contracts, and their Effects), a comprehensive, integrative framework designed to explain why AI-enabled transformations succeed or fail from an employee perspective. Positioned within the Future of Work literature, the paper addresses the need for a practical yet theoretically rigorous mutually exclusive and collectively exhaustive (MECE) model that enables organisations to assess and manage people-side alignment during AI-enabled and hybrid work transformations.

Design / Methodology

The paper adopts a conceptual-integrative approach and builds on foundational PC scholarship distinguishing transactional and relational contracts (Rousseau, 1995), and extends this foundation through ideological PC theory, which foregrounds value-based expectations (Thompson & Bunderson, 2003; O’Donohue & Nelson, 2009).

The framework is further informed by empirical insights from pandemic-induced organisational disruption, drawing on the author’s doctoral research on psychological contract dynamics in UK higher education.

Accordingly, the paper focuses on theoretical synthesis and framework development, generating a MECE structure that translates PC insights into a coherent diagnostic architecture applicable to AI transformation and, more broadly, to contemporary organisational change. AI is treated as primary illustrative Future-of-Work context as AI-enabled transformations are characterised by high uncertainty, opaque decision-making, and persistent difficulty in achieving impact at scale. These conditions expose the limitations of existing approaches - industry studies find that around 70% of AI implementation challenges arise from people- and process-related issues (BCG, 2024).

Findings

The paper develops MIRTE as a five-domain framework explaining employee responses to AI transformation through interconnected psychological contract dynamics.

Meaning-making operates as the interpretive foundation through which employees construct narratives about AI's impact on such aspects as work purpose, professional identity, task significance, and autonomy. Meaning-making is the interpretive foundation through which employees construct narratives about AI's impact on work purpose, professional identity, task significance, and autonomy. This extension builds on breach theory, which conceptualises contract appraisal as subjective and interpretive (Morrison and Robinson, 1997).

Ideological PCs function as a values-alignment lens through which employees assess whether AI deployment respects professional dignity, fairness, and organisational purpose. Algorithmic decision-making, surveillance, and automation risk generating ideological breach when they contradict espoused values, thereby transforming operational challenges into perceived moral or ethical violations (Thompson & Bunderson, 2003; O'Donohue & Nelson, 2009).

Relational PCs centre on trust, psychological safety, and perceived organisational care. AI-mediated work may reconfigure relational dynamics through opaque decision logic, surveillance technologies, and altered patterns of human oversight, thereby placing trust and perceived organisational care under strain (Robinson, 1996; Kellogg et al., 2020).

Transactional PCs concern workload, performance expectations, job security, and rewards. In AI-enabled transformation contexts, employees experience greater transactional ambiguity around demands, continuity, and future employment prospects, consistent with evidence that AI adoption affects psychological contracts, trust, and engagement (Braganza et al., 2021) and with employee concerns about technological redundancy and the future of work (Brougham & Haar, 2017).

Effects capture downstream attitudinal and behavioural outcomes, including commitment, engagement, wellbeing, resistance, and withdrawal. In MIRTE, these effects are conceptualised not only as outcomes but also as feedback signals that may shape subsequent sensemaking and recalibrate evaluation across domains over time.

Overall, AI transformation failure is more a consequence of insufficiently comprehensive approaches to managing employee psychological contract alignment than misalignment within any single domain. MIRTE addresses this challenge by providing a MECE framework grounded in a psychological contract tradition spanning more than six decades, enabling systematic identification of misalignment patterns that risk misinterpretation as operational or technical problems.

Originality / Contributions

The paper makes two primary contributions.

First, it advances PC theory by integrating ideological, relational, and transactional contracts while explicitly incorporating meaning-making as a distinct analytical domain, and by conceptualising effects as a recursive mechanism rather than a terminal outcome. While sensemaking has been implicitly acknowledged in prior psychological contract research, MIRTE elevates it as an organising process that links employee conscious and subconscious interpretations, evaluations, and behavioural responses under conditions of technological disruption.

Second, the paper contributes to the Future of Work literature by offering a theoretically grounded yet practically actionable framework. By integrating ideological, relational, transactional, and meaning-based evaluations into a single structure, MIRTE bridges the gap between PC theory and the practical challenges of managing AI-enabled and hybrid work transformations from the employee’s perspective.

The framework's MECE architecture ensures complete PC coverage whilst maintaining diagnostic clarity through conceptual distinctiveness.

Practical Implications

MIRTE offers actionable guidance for organisations implementing AI, automation, and hybrid work technologies.

For leaders and HR professionals designing AI transformation initiatives, the framework enables systematic pre-implementation diagnosis across five MECE domains: whether deployment aligns with organisational values; whether relational trust and psychological safety are preserved; whether transactional expectations are fair and transparent; and whether meaning-making is supported and early effects indicate emerging virtuous or vicious cycles. Importantly, MIRTE is equally applicable for post-implementation assessment, supporting diagnosis and intervention when AI systems are already in operation and employee responses have begun to crystallise.

More broadly, the framework supports Future of Work agendas by shifting organisational attention to proactive, comprehensive PC alignment, enabling more sustainable, inclusive, and effective AI-enabled work design. By tracing people-side alignment from meaning-making through ideological, relational, and transactional contracts to observable effects, MIRTE provides a structured pathway for reducing implementation failure and enhancing long-term transformation success.

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