

The Effects of Outsourcing on the Psychological Contract of Survivor Employees: The Case of UK Real Estate Sector

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By

Olufisayo O Akomolafe

London Metropolitan University

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ABSTRACT

Evolution in the world of work has led to the adoption of outsourcing. These evolutions have not being without challenges hence indicating the need for greater attention to be paid to the complexities surrounding the potential impact of outsourcing on employees. This study focused on the effects of outsourcing on the employees' perception of the psychological contract. The study explored whether applying a relational content analysis model will give better insight into the complexity of the psychological contract and provide in-depth understanding of what influences the psychological contract. Key relational content analysis concepts and tools such as; reactions and coping strategies, diagrammatic representations and tabular mapping were used. Thirty (30) interviews from five departments (Property management, IT and Administration, Brokerage, Marketing and Valuation) of two estate management organisations were conducted. Data gathered from these interviews were analysed to draw out the reactions and their resulting responses between employees and the organisation. The findings showed that the outsourcing experience was perceived as a violation of the psychological contract by a majority of employees and an in-depth analysis model indeed provides in-depth understanding of the effects of outsourcing on the employees' perception of the psychological contract and experience of violation. Through the implementation of research approaches the study fully addressed the research questions meeting the requirements for the research objectives.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The corporate world is changing rapidly, the challenges that organisations are faced with in recent times differs greatly from challenges experienced two decades ago (Heerwagen *et al.*, 2010). Economic and social forces have transformed the environment in which organisations are now operating (Held *et al.*, 2000). The global playing field is constantly being levelled by acute drivers of change (for example workplace structures, technological revolutions, individual choice, customer sophistication etc) enforcing changes that continually make the market place volatile, uncertain and highly competitive thereby creating both opportunities and threats for all organisations across the globe. It therefore follows that organisational strategies that were effective twenty (20) years ago may no longer be valid in comparison with modern challenges.

Organisations are under intense pressure to sustain and increase their profitability while at the same time improving customer service and market share in the global economy (Gereffi, 1994; Morgan, 2009). The adoption of outsourcing principles is often based on the assumption that it can enable organisations to improve performance, cost savings, market share, productivity, customer service and quality (Kakabadse and Kakabadse, 2000). Although the potential economic benefits of outsourcing may be thought to be considerable, however, a growing number of evaluation studies indicate disappointing declines (Jurison, 1995; Linley *et al.*, 2010). This could be because of managers tending to focus almost exclusively on

economic aspects while disregarding or paying very little attention to the psychological impact on the employees (Morgan, 2009).

This study seeks to explore the perspectives of employees who have undergone the process of outsourcing as an organisational restructuring strategy and the effect it may have on employee behaviour based on perception of the psychological contract using two organisations in the service sector in the United Kingdom (UK) as case study. The focus of this study is on employees who have retained their employment after undergoing the process of outsourcing. The findings of the study shall provide an insight into how outsourcing impacts the employees' perception of the psychological contract. Taking into consideration the dominant responses and reactions to outsourcing, this study shall provide in-depth understanding of how it affects the employees' psychological contract.

1.2 Rationale

Through the psychological contract the study will gain a clear understanding of employee – employee and employee – employer relationship agreements in the organisation. The concept of psychological contract permits the incorporating of employee – employer relations in the workplace agenda in manageable ways. The concept of psychological contract is popular amongst practitioners, however there is very little evidence about how and indeed whether the concept is used in organisations (Conway and Briner, 2005; Harper, 2015). Also existing literature (Osterloh and Frey, 2000; Sotiriou, 2005; Parzefall and Hakanen, 2010; Behery *et al.*, 2012; Tsoukas and eCunha, 2017) suggests that in-depth research is needed to understand the relationships in organisations and organisational processes as well as the various factors that impact on these relations by considering the context. Various researchers (Kennedy,

2002; Koh *et al.*, 2004; Engardio *et al.*, 2006; Morgan, 2009) further argue that there is a lack of in-depth investigation into the effects of outsourcing on the employees' attitudes (the human aspects) as well as how they respond to the outsourcing. Though prior research has explored the employment psychological contract (including Koh *et al.*, 2004, who focused on the IT outsourcing success in relation to the psychological contract between organisations and the service provider), there is a dearth of research focused on how outsourcing impacts on the concept from the perspective of the employees who have survived as research remains focused on organisational level (Lacity and Wilcock, 2000; Koh *et al.*, 2004). Koh *et al.*, (2004) further argues that even though violation and breach have been identified as significant mechanisms for understanding why employees may re-assess their perception of the psychological contract, however the way in which these phenomena has been investigated fails to provide detailed information about their influence on how employees' perception of the contract changes over time.

This study offers a qualitative approach, using conceptual tools to gain in-depth understanding of how the concept is established and sustained both from the history of the organisation and the employee. Using in-depth analysis the study provides a useful way to better understand the impact of outsourcing on the employees' psychological contract and to address some of the challenges identified from existing studies. Furthermore the study implements analytical tools to examine text for the frequency of the occurrence of identified terms developing within the context of one to one in-depth interviews, attitudinal and behavioural responses to communication, psychological or emotional state of persons, identification of intentions and communication differences. Existing research (Koh *et al.*, 2004) focuses primarily on the

employer perspective, thereby projecting a one sided view which ignores the reciprocal nature of the employment relationship. This study introduces the concept of psychological contract to better understand how employees' perceive an unfavourable organisational experience i.e., outsourcing, to better understand the impact of outsourcing on the employee-employer relationship of survivor employees. The psychological contract provides a more detailed understanding of outsourcing in several ways:

Firstly, how the employee understands and interprets their obligation to and from the employer is reflected in the psychological contract (Morrison and Robinson, 1997). Consequently, beliefs and perceptions reflected in the psychological contract influences the behaviour of the employees more than the actual written contract (Rousseau, 2001). Secondly, exploring how the psychological contract is influenced by broader relationships provides better understanding of how individuals experience violation and how this is reflected in the individual's life. It identifies that an employee utilises a mix of socio-cultural factors to construct different components of his/her psychological contracts (Gammie, 2006). Thirdly, it identifies that violations and breaches are the most important mechanisms for driving contract change, in conjunction with the effectiveness of employees' attempts to respond to the outcomes of these occurrences.

Furthermore, it recognises that it is generally the employee who develops responses and coping strategies following a perceived violation of the psychological contract. This demonstrates that employees do engage as active parties to the exchange following a perceived violation such as an outsourcing process and can engage in various responses to them. Fourthly, as supported in Suazo *et al.*, (2009), the psychological contract can be used to

better understand that while a high degree of mutuality in employees' belief of the psychological contract appeared to exist, a lack of belief specificity suggests that it will only be over time that what these beliefs mean in practice will be agreed upon and understood. Finally, the concept of psychological contract provides a unique and understudied perspective of how outsourcing as a strategy influences relationships within an organisation by focusing on the individual level of analysis to complement existing research that has, hitherto, been restricted to measures of outsourcing success as delivered by the organisation and service providers.

1.3 Research Problem

A study carried out by Tafti and Hofstra (2007) argued that although the main factors influencing outsourcing are saving costs and improving organisational and operational efficiency, there is insufficient study on the impact outsourcing may have on the survivor employees who remain when management decides to outsource. Outsourcing has become a growing business throughout the world (Mahnke *et al.*, 2005). Despite the rapid growth, outsourcing has been found to affect job satisfaction and attrition rates among employees within organisations that outsource (Coyle- Shapiro *et al.*, 2007). Reduced job satisfaction can have an impact on employees both socially and psychologically, resulting in family disagreement, diversion from work duties, and loss of control of career expectations (Kelty, 2008). Outsourcing results in lower employee commitment to their jobs and increased employee turnover (Walsh and Deery, 2006). Finally, psychological contract research has been dominated by cross-sectional questionnaire surveys which are restricted in their ability to reveal the complex nature of the interaction (Conway and Briner, 2005).

This study will contribute to existing research by elucidating more depth into how outsourcing impacts on the psychological contract of survivor employees by exploring the perceptions of the employees about the outsourcing process, their expectations to and from the organisation as well as the socio-cultural factors that influence the individual's belief and perceptions. This study emphasises the importance of integrating the employee perspective in the outsourcing process. It identifies employee reactions to the outsourcing and coping strategies as well as the effects on the individual and employee and relations within the organisation. This study also provides recommendations to practice or decision makers on the importance of not underestimating the impact on performance that this type of organisational change can have in an attempt to provide better understanding of the processes and competencies required to maintain a better relationship within the organisation.

1.4 Research Aims and Objectives

The overarching aim of this research is to better understand the impact of outsourcing on the psychological contract from the perspective of the survivor employee. This involves exploring dominant responses and reactions to outsourcing through the theoretical lens of the psychological contract to obtain a more detailed appreciation of the effect on the employees' psychological contract.

The research objectives of the study have been identified as follows:

- To conduct an empirical study to explore the relationship between outsourcing and the psychological contract.
- To investigate the extent to which socio-cultural factors impact the employee as an individual and hence his/her perception of the psychological contract.

- To explore the relationship between employees' perception of outsourcing and employee outcome:
 - To explore whether employee's expectation from the organisation changed.
 - To explore how employees perceive outsourcing may have impacted on their behaviour and attitude to the organisation.
- To critically evaluate the effects of outsourcing on the employees' perception of the psychological contract.
- To provide recommendations to practitioners that offers a range of insights on effective management of the employment relationship.

1.5 Structure of Thesis

This first chapter has provided an introduction to the research, presenting the rationale, the aims and the objectives and an indication of how the thesis is structured.

Chapter Two gives an overview of outsourcing looking into its current trends and future projections. Transaction Cost Economics, Agency Theory, Resource-based view, Core Competences, Contingency Theory and Sociological Theories, which are the dominant outsourcing perspectives are discussed in detail to give a rich perspective into the theoretical framework. The Chapter further explores the hidden effects of outsourcing to employees in terms of: trust, motivation, stress and job satisfaction. These hidden costs will be compared against the data collected. In conclusion, the chapter provides a conceptual framework with emphasis on the Social Exchange Theory as the dominant perspective adopted for the study.

Chapter Three sets the conceptual base for psychological contract in the study and elaborates on the overall research focus. This chapter provides a review of some key historical development areas of the concept of the psychological contract theory. In this chapter the concept of psychological contract violation and breach is introduced and explored in order to explore the most beneficial method required to gain in-depth understanding of the psychological contract as well as to overcome some of the challenges experienced which arise from its current implementation. The chapter introduces the research question having comprehensively discussed the psychological contract and its effect on the employee – employer relationship. It further presents the theoretical framework of the study.

Chapter Four presents the research methodology. The chapter presents the research philosophy as interpretive with an inductive approach. The study adopts the use of case study, using two estate management organisations in the UK. Using qualitative method, the study uses Interviews as the main instrument for data collection. The chapter details the research process and how it is used to explore the perception of employees and employers that have experienced the outsourcing process in order to achieve the aims and objectives of the research. The chapter outlines relational content analysis as the method used for the analysis of data. The chapter further presents the identified general themes such as perception of outsourcing, survivors' reaction to outsourcing, inconsiderate management, psychological contracts and socio- cultural effects. Finally, it identifies the ethical considerations in relation to this study.

Chapter Five presents the findings analysed using relational content analysis as outlined in chapter four. These findings provide an understanding of the research focus by discussing the different ways in which employees make sense of, and act upon their outsourcing experience. The chapter presents the findings in form of main themes, subthemes, responses and reactions to emphasise how employees felt the outsourcing process affected their perceived exchange agreement with the organisations. Finally, this chapter offers a discussion of the implications of the analysed data on the impact of outsourcing on the psychological contract of employees in the real estate service industry by addressing the research question resulting from the literature review.

Chapter Six provides a discussion of the findings in relation to the study's objectives and how it addresses the research question. The chapter draws upon existing literature by paying attention to the importance of the context where meaningful relations between employee – organisation and employee – employee relations are developed. The chapter explains employees' responses and reactions to the outsourcing process and explores existing factors that may have contributed to this. It also looks into the wider implications of the employees' perception of the psychological contract of employees who have survived outsourcing.

Chapter Seven, this final chapter gives a summary of what has been achieved by the study. This Chapter also identifies the contributions to research and the service industry in outsourcing and psychological contract. It discusses the appropriateness of the question identified from the review of the literature. This Chapter summarises the significance of the

research for researchers and organisations in the service industry and the possible methodological considerations and implications for future research.

Results from this study were accepted for publication in the following conference proceedings:

1. Akomolafe O.O (2018). Effects of Non – financial hidden costs Associated with Outsourcing. *MIRDEC - 10th, Barcelona 2018 International Academic Conference (Global Meeting of Social Science Community) 06-08 November 2018, Barcelona, Spain.* (Accepted for publication).
2. Akomolafe O.O (2018). Understanding the Effects of Psychological Contract on Employee Engagement Using Relational Cognitive Mapping Model. *The 5th Business Management Conference, Durban, South Africa.* August 23 -24, 2018. (Yet to be published).

CHAPTER 2

LITERATURE REVIEW PART 1: OUTSOURCING

2.1 Introduction

In this chapter, current and relevant literatures on outsourcing and the psychological contract are discussed. These literatures are vital to the overall aim of the study these include the current literature on prominent effects of outsourcing and conceptualisation of the psychological contract in employment relationships. Globally, over the last two decades, outsourcing has been implemented as a strategic measure by organisations and has continued to increase. A significant development within current arguments in the 'world of work'¹ has identified the need for strategic measures to improve performance as an apparent cause of outsourcing of certain activities and their human resource. This reality disagrees with the organisation's rhetoric which has been centred on, staff care (Lin, 2010), workforce development (Dipboye, 2013), employees as the key to competitive advantage (Thompson *et al.*, 2013) and the search for employee commitment to the organisation. The discarding of employees due to outsourcing raises major questions about its effects on them and how they perceive the psychological contract.

Although, there are various academic publications on outsourcing and most of them will be covered in this chapter, only a handful have attempted to view the effects of outsourcing on the employee's perception and the psychological contract. This dearth of research is in sharp

¹Changing world of work

contrast to the burgeoning prescriptive literatures on the relation between outsourcing and psychological contract. The chapter begins with an overview of outsourcing, its current trends and future projections. Existing theories (McIvor, 2005; Perunović and Pedersen, 2007; Hätönen and Eriksson, 2009; McIvor, 2009) on outsourcing are discussed to give a richer perspective of outsourcing. Finally, the chapter will then give a review on the concept of psychological contract. A detailed discussion on the limitations of current implementations of the psychological contract is given.

2.2 An Overview of Outsourcing

According to Norman (2009), searching the term “outsourcing” on the Business Source Premier (BSP) database yields more than 2,700 peer reviewed articles and more than 20,000 non-peer reviewed articles appear. As at October 2017, the United Kingdom Library of Congress² (UKLC) has more than 500 books with outsourcing as a keyword. The topic of outsourcing is by no means new and the number of research studies published in this area is still growing, so carving out original research will not become easier. Outsourcing as a concept originated from the American terminology “outside resourcing”, which means getting resources from the outside i.e., a third party (Troacă and Bodislav, 2012). Economists later used this term to indicate the use of outside sources to develop businesses which typically were using internal resources (Williamson, 2008). Several industry sectors have continued to adopt outsourcing particularly since the 1980s and 1990s when it gained impetus in the budding service sector (Whang, 1992; Quinn and Hilmer, 1994; Reyniers and Tapiero, 1995; Cheon *et al.*, 1995; Ang and Straub, 1998).

²Changing world of work

Over the years outsourcing and literatures on outsourcing have evolved. Both academic researchers and practitioners have defined the term to include the breadth, length, height and depth of the original meaning – ‘outside resourcing’. This can be seen in the work of Wilcocks and Fitzgerald (1993) which showed outsourcing under various classifications as defined by different authors. Over the last decade, the adoption of outsourcing has risen significantly and its vital role as a management practice is a shared agreement in academic community. This can be seen in various definitions of the term. According to Quinn and Strategy (2013), outsourcing is the purchasing of goods or services from sources that are external to the organisation. The study explores the risks and anxiety associated with outsourcing by outlining an integrated knowledge and outsourcing strategy. The limitation of the study is that it focused on outsourcing from the top management perspective giving little/no consideration to the views of middle level managers or junior employees. In Brown and Wilson (2005) outsourcing is defined as the act of obtaining services from an external source excluding processes never performed internally. Their study laid more emphasis on the cost of outsourcing.

Lee (2006) posits that outsourcing is purchasing services from an outside organisation that an organisation currently provides, or most organisations normally provide for themselves. This limits the view by adding the qualification that most organisations normally provide some services for themselves (Brown and Wilson, 2005). Lee (2006) further provides a wider definition for outsourcing, as “the reliance on external sources for the manufacturing of components and other value-adding activities.” This definition could include nearly any

activity so long as it is value-adding. The study focused on outsourcing as a cost reduction strategy to improve business performance. The study argues that any outsourcing strategy should be aligned to the business strategy. Therefore, if the organisation does not have a well-defined business strategy that includes its employees' views, the outsourcing strategy may not achieve the intended results i.e. cost reduction, increased profitability etc. In addition Corbett (2004) describes outsourcing as a tool employed by management to move an organisation away from the traditional vertically integrated, self-sufficient structure that is increasingly ineffective in today's hyper-competitive, performance-driven environment. This strategic movement is towards a business structure where it is able to make more focused investments in the areas that provide its unique competitive advantage. However, this study is not focused on the various definitions of outsourcing, but rather on the effects it has on the employee and their perception of the psychological contract.

Outsourcing has become a more acknowledged and established business strategy rapidly growing within the service industry and has become increasingly cross national and global (Grossman and Helpman, 2005; Barrar and Gervais, 2006). What is unique at this time in the application of outsourcing is that it is prevalent in the service sector. The service sector was for long considered impenetrable to international competition. However, with improved communication technologies, such as mobile computing, wireless sensor networks, internet etc., services can cross political borders via the airwaves while ensuring access to cheap labour. In the service industry, outsourcing was traditionally restricted to basic support activities. It was also primarily used when restructuring organisations that were not in good shape, financially (Kiiru, 2013). From the above analysis, outsourcing pervades the

management of most organisations and it has become increasingly clear that outsourcing is more than a “passing trend” as suggested in Roe *et al.*, (2013) and Iqbal and Dad, (2013).

A more recent analysis on outsourcing consultancy UK³ indicates that in 2017, Europe, Middle East and Africa (EMEA) region as well as in the USA experienced a steady overall increase in outsourcing. The analysis before 2017 was different where the outsourcing market in UK was weak as businesses “slowed their spending” due to uncertainty over political and technological change. In various countries outsourcing is no longer seen as exclusive to a specific size of organisation, however there are differences in services being outsourced within various countries as shown in Figure 2.1.

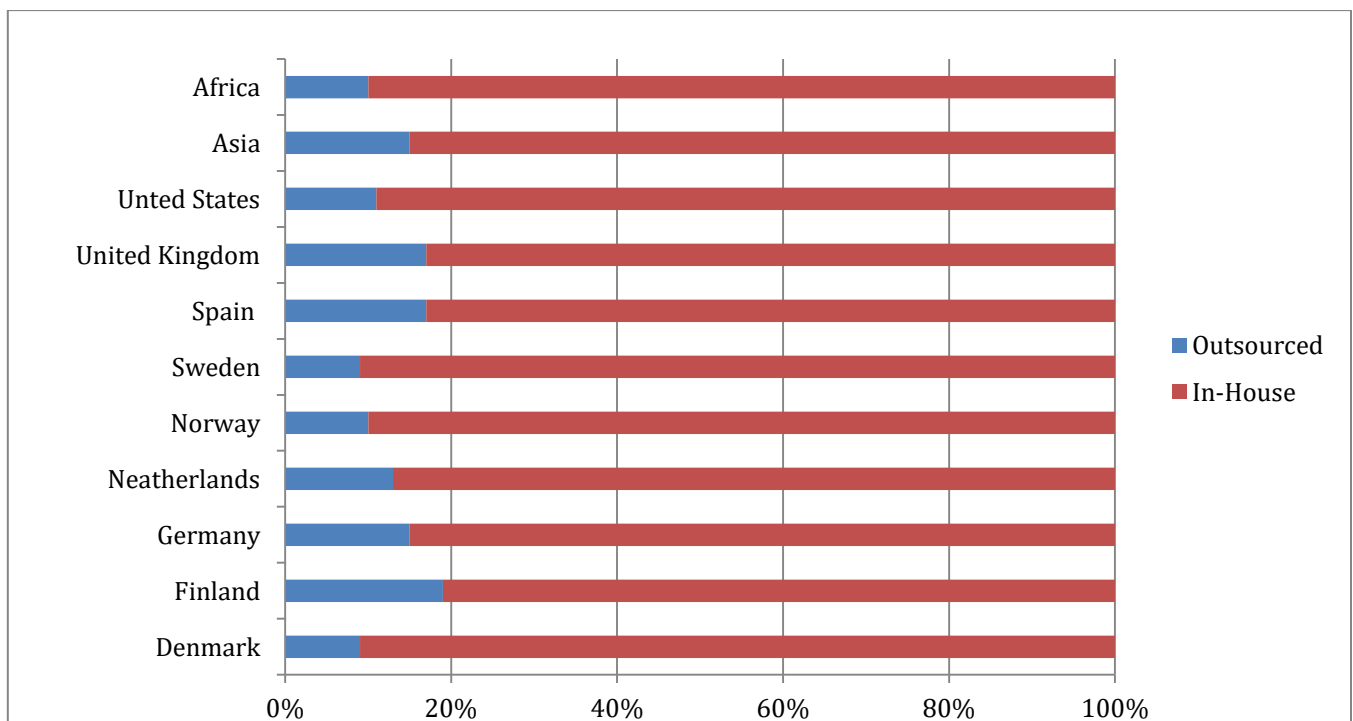


Figure 2.1: Outsourcing of services per country (Growth of UK outsourcing industry, 2018)

³Growth of UK outsourcing industry

From the survey it can be seen that some countries i.e., Finland, Spain and the UK outsource services to external service providers more often than other countries. In these countries, the highest percentage of outsourcing is seen in IT services, such as application development, IT helpdesk, infrastructure and testing, but also HR/payroll services. Figure 2.2 shows the percentage of outsourcing carried out per organisational function.

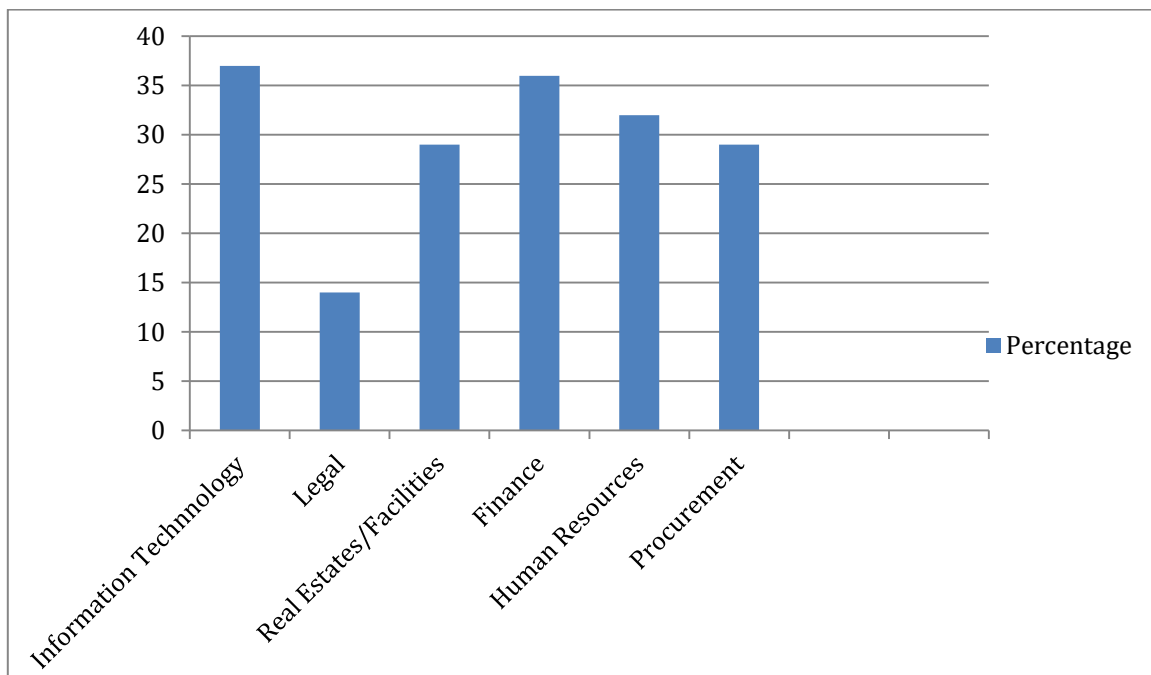


Figure 2.2: Organisational functions outsourced (Growth of UK outsourcing industry, 2018)

This chart indicates that Finance (36 percent), HR (32 percent) and IT (37 percent) present highest future opportunities for outsourcing growth. Despite the indicated study growth in outsourcing overtime, nearly 80 percent of organisations that outsource say the process does not always deliver the quality of their service required and stems up attitudes amongst its employees (Maertz *et al.*, 2010). Figure 2.3 shows the evolution and growth over time.

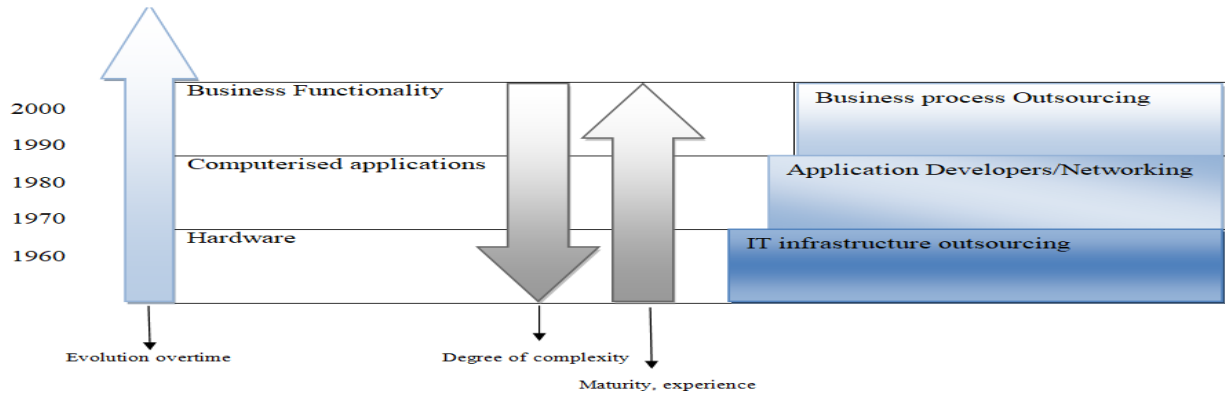


Figure 2.3: Evolution and Growth of Outsourcing overtime

Outsourcing can be in various forms such as, employee contracts being ‘laid off’ before activities are transferred to a vendor/third party provider, a department within the organisation being transformed to an independent firm which consequently provides services to the parent company or both activities and employees being transferred to a service provider (Logan *et al.*, 2004; Iqbal and Dad, 2013; Roe *et al.*, 2013). Outsourcing can be done both internationally and domestically (Contractor *et al.*, 2010). International outsourcing is mainly referred to as offshore outsourcing. By the means of offshoring outsourcing, an organisation can transfer the location and ownership of business to any other location (Wang *et al.*, 2008). Offshore outsourcing can be processed through internal and external resources for example foreign investments. Another type of outsourcing is known as near shoring outsourcing and it is typically observed when an organisation outsources internationally, but the contracted country lies within the border of the originating country. On shoring outsourcing is also a type of outsourcing usually carried out when an organisation relocates its business within the same country (Wang *et al.*, 2008). Even though many accounts treat outsourcing primarily (or solely) as a geographical process involving activities being transferred across large spatial

distances, outsourcing (and its precarious consequences) in reality can occur on any geographical scale, be it local or global.

Although some benefits of outsourcing have been briefly mentioned in this study, the question still arises, why do top level management in some organisations prefer to entrust outside organisations with critical organisational tasks? There are three main postulates that could provide the answer to the question. The first is: top level management sees outsourcing as a way to achieve competitive advantage. According to Bartlett and Ghoshal (2013); McCarthy and Anagnostou, (2004) and Leavy, (2004), outsourcing has become a highly recognised management business tool, whereby competitive advantage may be achieved by making use of external suppliers to produce goods or services in more effective and efficient ways. Gaining competitive advantage can either be strategic, operational, or both strategic and operational. Competitive advantages that are operational are often used for short term avoidance of trouble. Competitive advantages that are strategic, however, may provide longer term contributions to maximise opportunities.

The second is that management finds it more cost effective using external sources. Some existing studies have indicated that outsourcing may increase productivity by providing benefits such as improved focus on core competence, increased effectiveness in terms of flexibility, simplified tasks and cost reduction especially for human resource management and operations (Kakabadse and Kakabadse, 2002; Barthélemy, 2003; Elmuti, 2003; Logan *et al.*, 2004; Walsh and Deery, 2006; Cordella and Willcocks, 2010; Gaffey, 2010). Also, cost-effectiveness may result from improved financial performance, increase in profitability,

increase in operating income, reduced risks and costs associated with innovation, and cheaper labour (Earl, 1996; Barthélemy, 2003; Elmuti, 2003; Logan *et al.*, 2004). In support, while considering the process of outsourcing HR activities Stroh and Treehuboff (2003) posit that outsourcing can be an effective cost saving strategy with organisations outsourcing their non-core competencies whilst still maintaining customer service. Quélin and Duhamel (2003) further explored the cost effectiveness of strategic outsourcing, highlighting that reduced operational costs are a primary reason encouraging organisations to outsource. This current study is of the opinion that the cost reduction objective, can be successfully achieved by ensuring a balance between the organisation's goal of outsourcing and management of other supporting factors to its success i.e., employee management. This opinion will be explored in Chapter 6. The third is that many organisations outsource in order to focus on their core competencies and they see low value in developing in-house activities outside of this core (Potkány, 2008; SO, 2011).

From these stated postulates and as further supported in Harkins, (1996) and Schoemaker, (2012), it can be inferred that it is vision, function, and economics that drive the need for outsourcing. In addition, the organisation as a whole may enjoy some benefits of the outsourcing process such as; increased productivity in terms of obtaining higher value, more flexibility, capability to stay current and innovate, access to new technologies and integrated services, improved quality in work outcomes, increased speed of task and product completion, increased ability to respond to customer needs, and the ability to establish a smaller core work force (Elmuti, 2003; Walsh and Deery, 2006). This is often accomplished through access to new skills of offsite personnel, increases in organisational competitiveness and the ability to

gain access into markets that might otherwise be inaccessible or uneconomical (Elmuti, 2003). From their study, the evidence could indicate a strong business case in support of the adoption of outsourcing to get positive outcomes.

However, this has proven not to be the case because various studies also show that outsourcing is not without its challenges. The study carried out by Barthélemy (2003) discovered that while organisations in Europe and North America have the opportunity to outsource, expectations are not necessarily always fulfilled by the outsourcing initiates. In fact about seventy-five (75) percent of managers in the United States admitted that outsourcing outcomes had failed to meet expectations. According to Elmuti (2003), fifty-five (55) percent of outsourcing relationships fail within the first five (5) years of implementation, and out of the remaining forty-five (45) percent, twelve (12) percent are unhappy and regret the decision to outsource in the first place. A more recent report by Whitfield (2014) revealed that though outsourcing have increased in the UK over time, the level of failure has remained at a high level of over twenty-two (22) percent. Furthermore, another report on outsourcing in Europe⁴, studying outsourcing trends among 3,700 respondents in 8 countries namely, Denmark, Finland, Germany, Netherlands, Norway, Sweden, Spain and United Kingdom, showed that not more than nineteen (19) percent of managers will outsource their services to external service providers (Outsourcing in Europe, 2013). An additional survey by Dun and Bradstreet (2013)⁵ supports this result as their survey also showed that twenty (20) percent of outsourcing relationships actually fail in the first two years, and fifty (50) percent within five (5) years.

⁴Outsourcing in Europe, 2013

⁵ Dun and Bradstreet, annual report, 2013

To add to these bleak statistics, it is often the case that employees express dissatisfaction with the outsourcing decisions as well. Barthélemy (2003) highlighted the importance of efficient employee management as key to the success of outsourcing, emphasising that overlooking the employees in the process of outsourcing is ‘a deadly sin of outsourcing’. Information about the true costs and benefits of this is precisely what does not exist in most cases of outsourcing of business processes. Organisations enter into an outsourcing arrangement with the intention of getting more for less, but given the numerous contextual differences between organisations and their individual employer – employee relationships in most cases the true costs and benefits cannot be known but can be properly managed to the benefit of both employer and employee.

The practice of outsourcing provokes many strong emotions because it may involve the loss of thousands of jobs in organisations in one region or country. For example, it has been estimated that since year 2000, more than 500,000 jobs in the European Union have been outsourced (Schwab, 2010). With the potential to bring major organisational change, outsourcing is a complex and important issue for many organisations. Inevitably, a host of factors play into the success and failure of outsourcing endeavours. In existing literature such factors include the various ways in which organisations conduct the outsourcing process (Elmuti, 2003), its effect on employees have been used to gain understanding of the outsourcing phenomenon. Though over the past three (3) decades outsourcing has been a standard business practice in the manufacturing industry (with the process ranging from the purchase of simple commodity parts to outsourced automobile) in recent times outsourcing has made the leap from

manufacturing into service sector. This study is more concerned with outsourcing within the service sector, focusing on the real estate industry. The next section will discuss the outsourcing process in the services sector.

2.3 Outsourcing in the Service Sector

The implementation of outsourcing in the service sector can be seen in outsourced functions such as call centres, IT support, data mining etc. The service sector presents a different set of challenges for outsourcing organisations and third party providers: whereas manufacturers contract for specific numbers of outsourced components, service organisations and the outsourcers they engage must deal with uncertainties in their contract negotiations (Thirion, 2010). Although neither party knows the volume of work the contract will entail, the third party service provider must invest in human resource and working space before the contract starts. In the service sector, anything from fulfilment to finance, marketing, HR, IT and customer service can be partly, or entirely, outsourced. However, organisations may need to weigh up the options carefully and cost often should not be the only consideration (Coyle-Shapiro and Kessler, 2003). The decision whether to outsource or not may be considered to be a strategic decision as it needs to be appropriate and fit to purpose.

It is very important that there is a balance between in-house skills and outsourcing to gain competitive advantage. This is very circumstantial and depends on the extent to which an organisation can build in-house capabilities (Thirion, 2010). The key questions that organisations in the service providing sector ask before making decisions related to organisational restructuring will be aligning to strategy (i.e., how fundamental is a certain skill set in fulfilling the organisation's business strategy, how quickly can these skill sets be

developed in-house) and cost (i.e., would it be more cost effective to have a function in-house) (McIvor, 2009). The key drive behind making decisions may be embedded in the value that can be derived from that decision. There is an important need, which has not been researched in-depth in the service sector, for organisations to evaluate what is classified as value to the stakeholders and shareholders which it intends to satisfy and how aspects of the stakeholders may perceive and respond or be affected by strategic decisions being undertaken to survive and maintain sustainable competitive advantage in a highly competitive and globalized market. Outsourcing is viewed as a strategic measure adopted by many small-medium and large scale organisations in other sectors to gain competitive advantage over their competitors. It is not uncommon to see human resources, expense management, office building maintenance, security and many other non-core areas outsourced.

In the case of real estate, the industry has grown over the past five years, though revenue has been somewhat volatile. IBISWorld⁶ estimates that industry revenue will grow at compound annual rate of 1 percent over the five years through 2018-19 to reach £11.1 billion. This largely reflects the recovery in the property market following the economic downturn which had caused revenue to fall sharply in 2008. The real estate business is going through its most rapid change in years with the emergence of online agents and hybrids. With so many more agents there is less business to go around, which is putting a downward pressure on agent's fees. A result of this there are fewer people in the branch, so outsourcing plays a big part of how they now do business (Attanasio *et al.*, 2009). As the lettings market grows, the multinationals are continuously working to force the smaller independent operators out of the

⁶ Industry research report 2018.

market. A host of factors (such as technology, competition, cost reduction and efficiency) are contributing to this growth in outsourcing trends as businesses have gone beyond outsourcing non- core functions (such as inventories, evictions and human resource management) to outsourcing core functions such as marketing, sales and viewings to third party service providers. Fees are continuously being squeezed, especially after the economic crisis of 2008 and 2012 and agents need to chase all the business they can (Attanasio *et al.*, 2009). Therefore, employing an extra member of staff for less than seventy (70) properties is considered uneconomical. Little or no information is available about estate agents who are currently in the outsourcing circle or the effects or costs outsourcing may have in this sector. However, testimonials from service providers have indicated that estate agents should consider outsourcing as Letting and management requires so many skills (including marketing, advertising, sales, accounting, legal advising, property inspecting, inspecting of works etc).

Outsourcing may be undertaken with the view that it frees staff up to go out finding new businesses and bringing in new offers. This implies that agencies can concentrate their staff on earners and not administrators. They may not need to run a client account, saving them the cost of an accounts clerk. They benefit from the financial security by outsourcing their rent collection to a company that has spent years working towards the highest professional standards and has achieved membership of ARLA (Association of Residential and Letting Agents), the property Ombudsman and Safeagent.⁷ Therefore, with confidence the negotiators can inform prospective landlords and tenants that their money will be safe and properly

⁷ Industry Research Report 2018.

accounted for. The agent can still take holding deposits via a faculty provided by their property management company, but they no longer have to worry about accounting for a penny of tenant or landlord's money as that is all done for them. They also get the benefit of a sophisticated software system that allows the payment of rents without any delays.

With regard to the legal side every month more legislation is heard to be placed on the agent and landlord. By signing up with a competent partner, agents can show their properties, get in offers and then send them online to their partner managing agent who takes over and deals with references, tenancy agreements, inventories, check in, evictions etc. Even if the agent is providing an introduction only service, all the work can still be passed on to a specialist partner. However, the cost of getting all of these in place is one major factor that should be put into consideration especially for small and medium sized estate agents. One important factor to keep in mind is that researching literature on outsourcing and estate agents only generated testimonials from service providers as to why estate agents should consider outsourcing. Very little or no data was obtained as testimonials from estate agents about how they have responded or may be responding to the outsourcing trend which makes the subject more valuable to research. As there are many different concepts and theories within outsourcing and not every project and organisation or sector is the same (no one size fits all solution for the problems that rise with outsourcing) it is worth carrying out research into this particular sector to find out how employees who have survived outsourcing perceive the outsourcing decision and process in relation to their psychological contract and what effect this may have on the employees in the organisation. In this sector little or no research has been carried out on this particular subject especially in the focus service sector. To better understand the effects of

outsourcing in the service sector this study considers the dominant perspectives of outsourcing.

2.4 Dominant Perspectives of Outsourcing

The very complex structure of outsourcing has led to application of various theories in studying the phenomenon. Academic researchers (Eisenhart, 1991; Aubert *et al.* 2004; Saunders *et al.*, 2015) have used its different theories to better understand the complexities of outsourcing process, as well as to help managers of organisations handle the process in an effective manner. The common consensus among researchers (Eisenhart, 1991; Saunders *et al.*, 2015) is that a phenomenon such as outsourcing can be better described through a series of theoretical frameworks based on the dominant perspectives of outsourcing. In this section, an in-depth review of outsourcing theories will be carried out in order to gain detailed understanding of the process. These dominant theories include:

- a. Transaction Cost Economics** (hereafter TCE): This has been the most utilised theory of outsourcing. Organisations view TCE as a decision-making tool to help them decide either to outsource or not and in case they decide to outsource, TCE will help them prepare for the forthcoming outsourcing arrangements. On the other hand, TCE looks at the organisation as an avoider of market costs by analysing the relative efficiency of the market in comparison to internalisation (Saravia and Saravia-Matus, 2014). Coase pioneered the TCE in 1952 when he predicted that, “there is a possibility that an organisation will keep on expanding until the costs of organising an additional transaction within the organisation becomes equal to the costs of carrying out the same transaction by means of exchange on the open market or the costs of organising in

another firm” (Saravia and Saravia-Matus, 2014). Therefore, if the market is perfectly competitive, outsourcing may be more efficient than internalisation.

In relation to outsourcing TCE addresses organisational boundaries also considering the employment relationships. In principally focusing on organisational boundaries, TCE deals with both the background elements and outcomes of outsourcing. The outsourcing background elements described in TCE are centred on; assets specificity, bargaining in small numbers and inadequate information. All three have indirect (negative) relationships to outsourcing i.e., higher values of these elements results in lower outsourcing activity. For the outsourcing outcomes, an increase in outsourcing will result in lower production costs of the market, but increased coordination costs of sourcing the good from the market. In this current study transaction costs will be viewed as any activity which is engaged in by both employee and employer to satisfy each party to an exchange that the value given and received is in accord with each party’s expectations.

- b. Agency Theory:** Originally agency theory focused on relationship between managers and stakeholders (Jensen and Meckling, 1976; Nuwangi and Srivasta, 2013; Li, 2013) but has extended over the years to include explanations on the relationship between two inter-organisational subjects. In outsourcing, the agency theory can be used to understand the relationship between principal (organisation) and the agent (external provider). In this relationship the principal(s) delegates (or outsources) an activity to an agent. Principals and agents are assumed to be self-interested, rational and risk-averse (Eisenhardt, 1989; Pepper and Gore, 2012). Agency theory attempts to deal

with two specific problems, the first is: the agent's goals do not always meet with the principal's, therefore goals of both principal and agent need to be aligned, and it is either difficult or expensive for the principal to monitor or control the agent's behaviour.

The second problem is that since both principal and agents are risk adverse, they reconcile different tolerances for risk (Pepper and Gore, 2012). This will lead to increase in agency costs for developing, monitoring and enforcing contracts. These costs may be predicted by outcome uncertainty, span of control, programmability and the transaction cost construct of inadequate information (Eisenhardt, 1988; Pepper and Gore, 2012). Agency costs may decrease over time as principals and agents develop better relations through repeated transactions (Gong, 2003; Levitt and Syverson, 2008). There are several areas where the agency theory and TCE overlap. These areas are; the belief that the agent will not behave in the principal's best interest i.e., opportunistic behaviour. It also includes the belief that it is not possible to write complete contract i.e., bounded rationality.

An occurrence of inadequate information is when it is difficult for the principal to access the performance of the agent (outcome uncertainty), inability to monitor and control the agent's behaviour (span of control), and when it is impossible to complete a contingent contract (programmability), leaving open the risk of opportunistic behaviour by the agent. In agency theory, these are main background elements of outsourcing. The relationship between these elements shows that, the likelihood to

outsource depends on the outcome uncertainty, span of control and programmability. That is, with a low outcome uncertainty, there is high span of control and high programmability which in turn increases the likelihood to outsource and vice versa. Increasing the TCE construct of asset specificity, bargaining in small numbers and inadequate information can also increase risk of opportunistic behaviour by the agent, thereby increasing the costs for negotiating, monitoring and enforcing a contract with the agent. Schilling and Steensma (2002) identified that costs incurred here will include; the costs expected by agency theory, the costs of agency problem and cost of risk sharing. In agency theory these are considered the primary outcomes of outsourcing.

- c. **Resource-based View:** The resource-based view indirectly addresses the issue of organisational boundaries. Silverman (2006) argues that the resource-based view means that resources that have value should be in the possession of the organisation and as such has failed to give enough emphasis to an organisation seeking competitive advantage through outsourcing rather than by extending organisational boundaries. Nevertheless, the theory can be easily extended to include outsourcing since it does not exclusively make this a suggestion. According to Boyd *et al.*, (2010); Ireland and Hitt, (2005) and Barney, (1996), a resource that will ensure competitive advantage must exhibit four attributes i.e., it must be valuable, rare, imperfectly imitable, and there can be no strategically equivalent substitute for this resource. Understanding these attributes is essential to understanding how the resource-based theory relates to other outsourcing theories.

The value attribute: is the organisation's ability to exploit certain specific opportunities and respond to threats in the environment. Value transforms an organisation's attribute to a resource. The rare attribute: refers to the organisation's resource which must be rare among both present and potential competitors. Provided that the sum total number of organisations possessing this resource is less than the sum total number needed to generate a perfect competition, the resource is adequately rare and can create potential competitive advantage.

$$\sum \text{sum } t_n > \sum \text{sum } tp_r = C_{adv} \dots \dots \dots \text{equ (1)}$$

Where:

\sum	=	summation of
tp_r	=	total number of organisations possessing attribute
t_n	=	total needed to generate competition
C_{adv}	=	competitive advantage

The imperfectly imitable attribute: refers to an organisation's resource that can be imperfectly imitable as a result of any of three factors, which are: the resource is dependent on unique historical setting, the resource has a causally ambiguous relation to competitive advantage and the resource is socially complex. The strategically equivalent substitute attribute: a resource loses its competitive edge when it can easily be imitated or substituted. The strategic equivalent substitute attribute means the resource should have no imitable or rare substitute that are valuable. Before the organisation decides on either to seek to outsource or not, the organisation first has to note all the resources they need and then compare the attributes of the resources with each other, then group them in their order of importance. Internalised resources will constitute of those with greater value and rareness and imperfectly imitability and substitutability while the other resources are outsourced. However, in some

organisations the resource-based view may serve as a guide when deciding whether to outsource, even in a situation in which an organisation does have the luxury of internalising all resources. When an organisation decides to outsource, it substitutes a resource that it has with another in the external environment. This means that the acquired resource should be more valuable, rare, imperfectly imitable, and have no strategically equivalent substitute than the resource previously owned by the organisation.

If this is required of the acquired resources, then comparing the resources of the organisation with that of the external provider is a more crucial factor in determining what resources to outsource than comparing the organisation's resources to each other. From the discussion so far on resource-based view, it can be deduced that: Any organisational resource that can allow for a greater competitive advantage than an alternative resource that can potentially be obtained through outsourcing should be internalised, while other resources may be outsourced. Conversely, as predicted by economic theories, this decision can be affected by other factors (Espino-Rodriguez, 2006). A resource that can be outsourced indicates the availability of a alternative resource. This in turn, can reduce the potential of that resource to maintain its competitive advantage even though the resource may still have this potential particularly if the alternative resource is rare and imperfectly imitable.

A combination of resources can lead to creation of a more productive resource: according to Hunt and Davis, (2012), a resource may be more productive in

combination with certain other resources. Hence, an organisation may decide to internalise if an equivalent resource is available in the organisation. Particularly, if greater value can be derived when the resource is combined with other organisational resources, such resource may be internalised. In relation to outsourcing outcomes, the resource should have the ability to produce above normal returns. Due to this the outsourced product should be unique or accessible at a lower cost than identical products. According to the resource-based view, a sustained competitive advantage may not go through outsourcing because this requires the resource to be rare, imperfectly imitable and non-substitutable. Alternatively, it may be achieved through combining the outsourced resource with other internal organisation resources i.e., human resource.

- d. Core Competences:** This concept has its foundation in the resource-based theory. The works of Prahalad and Hamel (1990) and Alexandrova (2012) view core competency as the collective learning that takes place in the organisation, particularly in the coordination and management of the various production skills and seamless integration of multiple streams technologies. The concept has been used in the design, development and testing of different outsourcing decision frameworks, arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also applicable in the Managing relationship and Reconsideration phases. Detailed analysis of whether a function is to be outsourced or not as well as strengths of the third party organisation are assumed to be important factors that can influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney *et al.*, 2005).

e. Contingency Theory: Contingency theories have played an important role in the development of organisational management literatures in the last four (4) decades. This is the most studied of all these theories, also it is the least defined. According to Tosi and Slocum, (1984); Federica and Young, (2008), contingency approaches are based on the assumption that performance is a consequence of fit between several organisational attributes such as strategy, structure, systems, culture and environmental characteristics such as dynamism, complexity and munificence. Robbins *et al.* (2013) suggested that, organisations face a high degree of uncertainty in their environments, for example due to fluctuations in rents and/or prices, and may seek to ensure some stability by entering into outsourcing contracts. Discussing this theory in relation to outsourcing, Robbins *et al.* (2013) describes a scenario in which an organisation selects, acquires and combines a set of resources that are available in the environment. Although, these resources may not be sufficient to meet the organisation's goals. At this point, the organisation is made aware of the gap between its present capabilities and its intended capabilities. Such gap may be also caused by the dynamics of the external environment.

The dynamics of the environment may bring to light new opportunities and threats to the organisation. Again, this in turn leads to an awareness of the gap between the present resources of the organisation and those needed to exploit opportunities and counter threats. The organisation then seeks to achieve a fit between the resources of the organisation and the competitive environment by acquiring the resources in the gap either through outsourcing or internalising. In contingency theory this decision is

predicted to be a result of the fit between environmental and organisational-level factors. If environment is uncertain, an organisation cannot predict whether the resource would be needed in the future. The resource may lose value and would no longer be able to generate rents, or imitations or substitutes of the resource may be available that may have higher value. When an organisation experiences a situation like this, the firm may decide that to achieve greater flexibility the resource can be acquired through short-term outsourcing rather than by internalising through heavy investments.

- f. Sociological Theories:** Two important theories in sociology that covers outsourcing as well as its possible costs or benefits are, social networking theory and social exchange theory. In Granovetter (1973) the study argued that the basics of social networking theory is that an employee's relationship to family members, team members and close friends or one's "strong ties" does not provide an employee with as much diversity of knowledge as one's relationship to acquaintances, other co-workers and distant friends or "weak ties". Granovetter (1973) pioneered this theory and used it to explain differences in the success with which some people found jobs. The application to a firm's internal labour market seems an appropriate consideration in the context of outsourcing. The shifting of a provider of a service to someone outside the firm will reduce at least one of the number of nodes that an employee has connecting him or her to the internal labour market. In a study on social exchange theory Gouldner's (1960) concept of reciprocity argues that people tend to return benefits given to them in a relationship and his work is regarded as the origin of source of social exchange theory.

Norman (2009) showed that how relationships are formed and maintained are predicated on the reciprocation of valued resources. Various studies on the antecedents of outsourcing (Nordin and Agndal, 2008; Stanko and Calantone, 2011; Robbins *et al.*, 2013) have shown that theories supporting organisational strategy and economics may be complementary in predicting the outsourcing behaviour. In a study considering a comprehensive path model of the governance mode decision for sourcing technological know-how, Schilling and Steensma (2002), integrated different organisational boundaries. In their integration analysis, they explained that the resource-based view can be used to determine which resources the organisation can pursue, while, the TCE can be used to determine whether the organisations will outsource the manufacturing of the resource to the organisation instead of directly acquiring the manufacturer of the resource.

Considering both theories, it can be deduced that the qualities of a resource that allow for continued competitive advantage are comparable to the qualities that increases the risk of opportunism. Organisations seek to gain a competitive advantage by sorting after resources tend to be valuable, rare, imperfectly inimitable and non-substitutable, as shown in the resource based view. Transaction costs are increased due to bounded rationality and opportunism created by asset specificity, small bargaining numbers and imperfect information. The constructs between the two theories are not mutually exclusive. Though these theories discuss dominant approaches focusing more on the employer and outsourcing provider, it shows little or no consideration for how the

employees respond to outsourcing process. In the next section this study will discuss the effects of these approaches on the employee.

2.5 Outsourcing and the Employee

A significant improvement within current debates on the ‘changing world of work’ has identified the need for strategic measures to improve performance as an apparent cause of disruption to the organisation’s integrated framework and the outsourcing of non-core functions and their workforces. This is in contrast to human resource management's rhetoric which has been centred around employee care (Chuang and Liao, 2010), workforce development (Armstrong and Taylor, 2014), and employees as the key to ‘competitive advantage’ (Bartlett and Ghoshal, 2013) to the organisation. The discarding of employees through outsourcing their jobs raises major questions about outsourcing and how it is perceived by the employees (Bartlett and Ghoshal, 2013). The apparent disagreement between the rhetoric and reality in this respect might, at the very least, be expected to lead to considerable effects such as: employee disorientation, confusion etc. However, beyond this general expectation, knowledge on the effects of outsourcing on employees remains limited (Armstrong and Taylor, 2014).

Outsourcing of the Information Technology functions and Business Process functions such as HR, finance, procurement, customer service etc., are often carried out more in comparison to other functions. In the real estate sector employees experience outsourcing of both IT functions and business functions, this involves outsourcing to a third party service provider who can be given operational ownership of the organisation’s business for one or more activities. McDonagh and Hayward (2000) noted that real estate organisations often

discontinue in-house provided services to minimize the operational cost including goods and services and benefit from an outside service provider. Although the outsourcing practice with small -medium size real estate organisations is local outsourcing which provides, easy accessibility to third party, removes language barriers and may be able to address problems as they arise. As mentioned in section 2.3, outsourcing in the real estate organisations usually involves the outsourcing of non core functions such as HR, IT, inventories and evictions which can be just section of the department. However, survey shows that sixty eight (68) percent of small businesses in UK are also increasingly outsourcing core functions like marketing and sales especially over the last five years. Outsourcing in real estate organisation has equally evolved with the drive to meet timelines, compete more effectively, improve quality and have access to expertise. Real estate organisations now outsource functions which can arguably be classified as core functions such as sales, viewings, rent collection, property management, marketing, check-ins and check-out and brokerage. While outsourcing in this sector is usually local i.e., within a country, it can imply letting go of major functions of a department or an entire department such as sales, marketing, property management or even administration. As a result, outsourcing may or may not be accompanied by layoffs or downsizing. This is in line with the current study's view on outsourcing as it uses case study from organisations in the real estate service sector which involved letting go of aspects of departments as well as employees. While outsourcing may seem beneficial to the organisation in terms of profit, research shows that the way the process is managed gives little or no consideration to its effect on the employees. There is only an abundance of literature on the advantages of outsourcing by service providers and managers with little literature on how employees in the sector perceive or respond to the outsourcing. Some academic researchers

and practitioners have attempted to study the consequences of outsourcing for employment relations, though very few have addressed it directly from the employee's perspective (Ezedoze *et al.*, 2010; Bamberger *et al.*, 2014). Hence the quest for the most effective way to manage employment relations is still active and calls for additional research in this area have been made (Lee and Bruvold 2003; Kern *et al.*, 2002; Lacity and Wilcocks, 2000).

The role of the employee in an organisation is crucial to giving the organisation a competitive edge, promoting growth and development. According to Ezedoze *et al.* (2010), it is generally recognised that human resources of an organisation are key to providing a competitive advantage for the organisation. Further views have indicated that how an organisation strategically manages its human resource is a source of competitive advantage that cannot easily be acquired or imitated. which is in contrast to the conventional views that emphasised barriers to entry as economies of scale, access to capital, and regulated competition (Bamberger and Meshoulam, 2014; Bartlett and Ghoshal, 2013). This identifies the importance of employee management, considering it a strategic management process. Therefore, as a result of the rising growth of competitiveness in the global market, the strategic management of employees is emphasised as a crucial source of competitive advantage to an organisation compared to other sources such as structure, technology, manufacturing process and business strategy which can easily be replicated or acquired.

The role of employees is very crucial both in the decision to outsource and in successfully implementing the outsourcing (Ezedoze *et al.*, 2010). That is, how all employees perceive and respond to the outsourcing irrespective of their levels or positions has a significant effect on

how successful the outsourcing is, in terms of the execution, benefits or losses it may cause the organisation. According to Edvardsson, (2011), the decision to outsource is a sensitive one among employees of the organisation as it is often accompanied by the perception of retrenchment and unemployment, loss of certain skills and knowledge, poor employee satisfaction, loss of morale and dedication of employees. Organisations often ignore the fact that the success of strategies that involve change is extremely dependent on the attitude of employees and how committed their employees are. The performance of the organisation is heavily dependent on individual employees, yet the opinions of employees are often largely disregarded when planning major change programmes. For example, in this context of outsourcing, many of the ‘survivors’- the employees that survive the process - suffer the costs (financial and non-financial) of the process and no longer have trust in the organisation and believe the whole process to be unfair (Edvardsson, 2011).

The term ‘survivor’ can cover: employees who experienced the outsourcing and have been transferred to the service provider, employees who were affected by the outsourcing but have remained with the parent organisation and employees who despite witnessing the outsourcing did not have their jobs affected directly. Research on downsizing (such as redundancies) suggests that those who retain their jobs can experience ‘survivor syndrome’ (Allen *et al.*, 2001). They feel a mix of guilt for being fortunate in remaining and anxiety that they may be next. However, according to Morgan (2009), outsourcing is more complex as the employees are retained by the original organisation and therefore fit the more classic definition of ‘survivor’. ‘Survivor’ in the current study refers to employees who experienced the outsourcing process but retained their employment within the organisation with aspect(s) of

their job affected. These employees were affected by the outsourcing but remain with the parent organisation.

One outcome of outsourcing is the employee variables. These variables comprises of the costs (financial and non-financial) associated to outsourcing. Cost can be defined in both financial and non-financial terms. Generally, non-financial costs refers to the unseen problems, unintended consequences and twists and turns which may not be easily envisaged or considered as influencing factors because of the inability to quantify or place direct monetary value on them. Specifically, non-financial hidden costs refers to the lack of trust, dissatisfaction, increased likelihood of leaving job, low level of participation, feeling of insignificance, attitudes, absenteeism, increased level of anxiety and stress etc. For the purpose of this study, an employees' perspective about outsourcing may be categorized as follows:

- Employees' perception based on the outsourcing process and how it was managed.
- Employees' perceptions based on the motives behind the outsourcing decision.
- Employees' perceptions based on the outcome of the outsourcing process (in terms of results such as loss of job, changes to the identity of the organisation. etc.)
- Employees' perceptions based on assumptions of a violation of psychological contract.

This study will discuss some of the prominent non-financial hidden costs which affect employees who have survived an outsourcing process and remain in the organisation based on assumptions they have about their psychological contract with the organisation and how it may have been violated by the outsourcing decision and process. The non-financial hidden

costs of outsourcing from the employees' perspective draw great attention to the complexities surrounding the potential effects of outsourcing on employees. This study is of the view that the employees' perspective of outsourcing may be contingent on a number of factors, particularly psychological factors. The understanding that the employee's perspective of outsourcing can be affected by the psychological contract leads to that next section of the study which discusses the non – financial hidden cost of outsourcing.

2.6 Hidden Cost of Outsourcing to Employees

Existing literature on outsourcing suggests that there are important advantages and disadvantages to outsourcing (Logan *et al.*, 2004; Ettinger, 2010; Edvardsson, 2011; Roe *et al.*, 2013). Ettinger (2010) gave the advantages of outsourcing to include: cost savings, focus on core functions or activities, greater flexibility and fewer distractions, and disadvantages to include: hollowing out the company, opportunistic behaviour, rising transaction and management costs and limited learning and innovation. He then added that, outsourcing employee functions either due to its advantages or disadvantages increases the threat of employees exiting the organisation (Ettinger, 2010).

Barthélemy (2003) identified the fourth deadly sin of outsourcing as overlooking personnel issues that stem from outsourcing endeavours. The study showed that thirty eight (38) percent of organisations, who failed in outsourcing attempts, committed this mistake (Barthélemy, 2003). With the continual increase in the number of organisations practising outsourcing, more employees are subject to drastic organisational changes. Employees who survive outsourcing are often faced with challenges, and for the organisation to keep functioning and sustaining its competitive advantage, these challenges have to be properly addressed (Quinn

and Strategy, 2013). The potential challenges faced by employees are vast. For example, GOAMCO Ltd Company carried out a survey across 12 of its branches in Africa that had downsized due to a recent outsourcing endeavour. The survey showed that 79 percent of top level managers noticed a reduction in trust, morale and production (Abbott, 2013).

In this section, the study will discuss and analyse some specific non-financial hidden cost of outsourcing. These hidden costs will be compared against the data collected and analysed further. The hidden costs are:

- a. Trust** – Tan and Lim (2009) defined trust as an employee's readiness stay vulnerable to certain actions experienced in the organisation and by the organisation, particularly behaviours and actions he or she cannot control. Jones and George (1998) added that this exchange of trust represents the employee's belief that these actions of the organisation will not put him or her at risk or in harm's way. Furthermore trust has been linked to assisting when soliciting important organisational outcomes such as leadership satisfaction, improved stability, reduction in turnover, free and open communication and sharing information, cooperation, increased discretionary behaviours such as organisational citizenship behaviour, perceived leader effectiveness, and organisational performance and success (Burke *et al.*, 2007; Tan and Lim, 2009). For example when employees trust the organisation they are relieved of the worrying whether the organisation will treat them fairly or not or withhold the required support (Tan and Lim, 2009). Reasonably, it follows that the ability to trust lessens organisation-related difficult experiences and motivates employees to focus on work performance while encouraging job satisfaction (Tan and Lim, 2009).

An organisation's decision to outsource certain activities may have an effect on the employees' level of trust such that employees begin to question the extent to which the company will remain loyal to their workforce (Logan *et al.*, 2004). As discussed in section 2.4, the social exchange theory lays emphasis on the significance of employee – employer trust in alliances and information exchange (Ring and Van de Ven, 1992). This exchange is triggered in the employment relationship when a psychological contract assumed to contain commitments or promises that employees believe their organisations have made to them is created. An employee perceives a violation of the psychological contract when he or she believes that their organisation have not met the obligations within the contract in a way that is in proportion with their contribution (Morrison and Robinson, 1997). The possibility of the organisation violating the psychological contract often results in a negative impact on the employees' feelings, attitudes, and behaviours. A violation is often easily noted by the employees because most employees using comparison ratio level, compare the Give to take Ratio (G: R) in order to determine the fairness and the value of an employment relationship. The comparison ratio level varies with some exchange relationships indicating more giving and others more taking. Supporting inter-organisational relationship may proffer greater possibility for reciprocation and will consequently be considered as more positive to the employee in most cases.

- b. Motivation** – Soe *et al.*, (2004) described motivation as a goal directed behaviour that takes place with respect to an individual's self-regulatory function. Motivation is a factor that drives achievement in meeting either collective or individual goals

(Ellemers *et al.*, 2004). In a study integrating motivational, social and contextual work design Humphrey *et al.*, (2007) carried out a meta-analysis of 259 studies involving 219,625 participants. Their study discovered that motivation explained twenty – five (25) percent of the variance in employee performance. As organisations decide to outsource some of its activities motivation is an important consideration. Brooks (2006) noted that when employees’ perceive challenges to their jobs, particularly if the challenges are related to their continuity in a certain role, their motivation changes. It has been shown that change resulting from outsourcing can impact the employee’s motivation, which in turn affects employees’ performance and impacts productivity of the organisation (Elmuti, 2003; Brooks, 2006). Employee satisfaction is associated with employee motivation and can translate into great customer satisfaction especially in service providing industries (Kattara, *et al.*, 2008). It is suggested therefore, that organisations consider the implications on employee motivation when making changes to the workflow and organisational structure during the outsourcing activities (Kattara, *et al.*, 2008).

- c. **Stress** – there is a high probability of occupational stress occurring when an employee perceives some form of job insecurity. Størseth (2006) noted the effects of stress on employees (also known as the ‘survivor sickness syndrome’) occur as a result of organisational change. This kind of stress is always more intense than those that occur from regular organisational change efforts. He also added that long-term perceived job insecurity predicts “both short-term stress reactions such as decreases in job satisfaction, and long-term stress reactions, such as increases in physical symptomatology” (Størseth, 2006, p. 542). Furthermore as noted in Eatough, *et al.*,

(2011) outsourcing can often result in burnout and stress for those employees who have received an increased workload, a work role stressor commonly referred to as 'role overload'. Also if newly fused roles due to an organisational change are not clearly defined this may lead to role ambiguity, hence employees will experience vague role expectations and in turn experience stress (Eatough *et al.*, 2011).

Role overload and Role ambiguity are stressors that lead to anxiety, tension, and conflict which may in the end hinder the employee's ability to focus on achieving their own personal and professional work goals. If such stress is prolonged it is expected to impact upon job satisfaction negatively, organisational citizenship behaviours, and may also curb enthusiasm and friendliness even towards customers (Elmuti and Kathawala, 1993; Eatough *et al.*, 2011). If occupational stress is experienced for a long-term it will result in both mental and physical symptoms of poor health and eventually leading to absenteeism (Schaufeli, and Rhenen, 2009). The impact of outsourcing on employee can lead to occupational stress which can reduce productivity through burnout, work overload, and the long-term mental and physical symptoms of stress.

- d. Job satisfaction** – In their study on corporate ethical values, group creativity, job satisfaction and turnover intention Valentine *et al.*, (2011) described job satisfaction as the pleasant or encouraging emotional state resulting from the appraisal of one's job and job experience. It is an important component of the employee's perception. Nelson (2009) showed that an employees' job dissatisfaction is related to job switches. By exploring existing literature Nelson (2009) was able to establish a connection between

employee satisfaction and retention (Flanagan *et al.*, 1974; Freeman, 1978; Clark *et al.*, 1998; Clark 2001; Delfgaauw, 2007; Lévy-Garboua *et al.*, 2007). A crucial meta-analysis study carried out by Judge *et al.*, (2001) also showed that job satisfaction is linked with job performance at a rather significant figure (.30). Other studies have found job satisfaction to lead to organisational citizenship behaviours (Latham, 2007). Various studies have made a connection between job satisfaction and job related terms such as profitability, turnover intentions, customer satisfaction, and productivity (Judge *et al.*, 2001; Valentine *et al.*, 2011). Furthermore, an increase in employees' commitment to the job is considered an outcome of job satisfaction, also such an employee will be more willing to accept and invest in organisational change (Farndale *et al.*, 2011). In essence, high morale leads to high productivity (Latham, 2007). The decision to outsource can certainly have an impact on job satisfaction.

2.7 Conclusion

This chapter discusses that reasons for outsourcing can be condensed and categorised under four different categories, these are: first, cost saving (having a third party organisation perform the activity for less), Second, quality (the third party organisation is more specialised performing the activity hence provides better quality). Third, risk (the third party organisation is able to efficiently assess the risk of performing the task). Fourth, focus (for the organisation to focus on its core competencies). When putting the principle of agency problem into considerations there emerges a fifth reason - convenience (the third party organisation should perform the activity because it is either hard or otherwise undesirable). The concepts of outsourcing and its impact on the employee are very hard to comprehend. The debate about the impact of outsourcing on employees is still ongoing, therefore, from an academic

perspective; this area seems to have a need for more research and analysis. The effect of outsourcing on survivors of the process is an important analysis that can be investigated further for more understanding of this problem.

Comprehensive reviews of the literature have found the impact of organisational restructuring measures on survivors to have been more negative than positive (Elmuti, 2003; Walsh and Deery, 2006). As expected, survivors tend to be angry; less productive; less trustful of their work organisations, supervisors, and managers; more anxious about their jobs and financial futures; less likely to innovate and take risks; and more likely to suffer from low morale, stress and job dissatisfaction (Emulti, 2003; Roe *et al.*, 2013). They also seem to have more health problems (Emulti, 2003). However, survivors' reactions are not uniform. While the major force behind outsourcing has been associated with saving money and improving organisational and operational efficiency, little is known about the impact that outsourcing may have on the employees who remain when organisational leaders make the decision to outsource (Coyle- Shapiro *et al.*, 2008; Tafti and Hofstra, 2007). Although suggestive, the existing studies on survivors are marked by several limitations. With an attempt to move beyond the current focus on the micro-economic perspective of outsourcing, this study focuses on building on the existing research on outsourcing survivors and to address some of the limitations discussed above.

The main purpose of this study is to explore the effect of outsourcing on the survivor employees' psychological contract. In particular, to investigate what impact outsourcing has on the psychological contract of employees who have survived the experience. The dominant

perspective adopted by this study is the social exchange theory which is centred on the law of reciprocity. In relation to this study, the theory is most influential in understanding how the employee experiences the outsourcing process and its effect on their psychological contract. The theory suggests that the perception that the employees have about how they are treated in the organisation has an effect on how they respond to the organisation. In relation to outsourcing, it can also be argued that how employees perceive the outsourcing decision and process will also influence their counter reactions. To understand the relationship between the employee's response to outsourcing and the effect that may have on the psychological contract, the next chapter will focus on the psychological contract.

CHAPTER 3

LITERATURE REVIEW PART 2: PSYCHOLOGICAL CONTRACT

3.1 Introduction

In Chapter 2, the study identified social exchange theory as the dominant approach that best explains employee perspective of outsourcing. This chapter seeks explore the concept of the psychological contract in detail in order to provide the fundamental concepts for this study and give a detailed discussion on the overall research focus. In addition the chapter shall review main historical development areas of the psychological contract. This will include the foundational concepts supporting the use of the psychological contract in this current study, mainly as a relational model of employee – employer relationship and how that has changed overtime. The chapter will also outline the beliefs that form the psychological contract. This is outlined because, although in the various definitions given in existing studies on psychological contract key terms such as expectations, obligations and promises are used interchangeably, the more dominant definitions are in line with the early, solely promise-based concept of psychological contract.

In essence, the chapter will argue that the formation of concepts and hence the mode of operation of the psychological contract must comprise of beliefs aside from those entirely based on promises and should extend to beliefs about obligations (from the individual's perspective). The chapter shall also review the various psychological contract content models available in existing literature. Furthermore, the construct of violation in relation to

psychological contract is discussed, this will assist in evaluating and justifying why in-depth understanding of psychological contract is required in order to identify and address some of the drawbacks identified in current studies. It shall also be shown that this is important for understanding what effects organisational experiences have on how individuals perceive the psychological contract and violation.

3.2 The Key Developments in Psychological Contract

Here the chapter provides some foundational concepts used in gaining understanding of the formation of the psychological contract. The differences between historical and contemporary concepts are explored to identify aspects of the psychological contract formation that are barely studied as well as the ongoing tensions in existing studies. The conclusion derived allows for in-depth discussion on the basics of formation of the concept for the psychological contract, and in particular, current arguments on what constitutes the contract beliefs. As a key proponent of psychological contract formation Rousseau's (1989) provides a distinction in the contract's development. Hence, this section shall explore the work of historical psychological contract authors (referred to as the 'pre-Rousseau' period), next the section notes the significant features of Rousseau's (1989) reintroduction of the concept of psychological contract and afterwards assesses the work of contemporary authors who to a large extent follow Rousseau's view (referred to as the 'post-Rousseau' period).

3.2.1 The Historical Views of the Psychological Contract (pre-Rousseau)

Four key contributions to the study of psychological contract are the works of Argyris (1960); Levinson *et al.* (1962); Schein (1970) and Kotter (1973). Their works are recognized for introducing the psychological contract construct in the organisation employee - employer

relationships (Roehling, 1997; Conway and Briner, 2005). These early researchers initially used the term psychological contract to accept the fact that in the employment relationship employees develop expectations and beliefs about the norm of reciprocity and mutual obligations. The term “psychological work contract” was first formally introduced in Argyris (1960). His contribution came to light while carrying out a study with supervisors in a factory, where his focus was on explaining the employee – employer relationship between supervisors in the factory and their employees. Basically, Argyris (1960) noted that the supervisors implemented a management style that was as a direct result of their experience while going up the chain to their current position, and they had continued with the attitude and behaviour of the informal organisational communication culture. By maintaining this culture, supervisors found it easier motivating employees to perform in line with the organisational expectations as the style made employees more comfortable. This finding from Argyris (1960) indicated that the implicit belief of the employees in a psychological work contract influenced the nature of relationship between the supervisors and the employees.

Actually, the finding of Argyris (1960) described the state of the employee – employer relationship at that time, an overlooked factor in social psychology which has influence on management decision making in the organisation. According to Roehling (1997), Argyris basically verified that when supervisors respected the organisational culture in their management style, it was reciprocated by employees with increased production and a conducive environment. In addition Roehling (1997) also found that according to Argyris on the other hand, imposing a budgeting system by foremen as instructed by management was perceived as removing the sense of control over their work and hence perceived as a violation

of the psychological contract by employees. Roehling (1997) noted that a significant finding in Argyris' study was that the informal employee culture served as the foundation on which the psychological contract was formed in the organisation. Furthermore, Roehling (1997) mentioned that Argyris' contribution to the formation of the psychological contract was based on 'mutual agreement' where supervisors and employees had implicitly recognised rights and obligations. Nevertheless, by introducing the psychological contract which is born out of the personal attributes of the individuals involved provides a better understanding of the employment relationship. Argyris' work was followed by the work of Levinson *et al* (1962).

Bankins, (2012) noted that though there were some distinctions in concepts with early researchers, the similarities in their work identified five (5) main components of the early pre-Rousseau authors' conceptualisation of the formation of psychological contract. Firstly, Levinson *et al.* (1962) suggested that mutual expectations and obligations of the individual and the organisation are mostly implied and unspoken. In their study Levinson *et al.* (1962) described the psychological contract as a sequence of mutual expectations of which parties in the employment relationship are vaguely aware which nevertheless govern the employment relationship. These mutual expectations are rooted in the psychological contract and acknowledged, though tacitly by both the employee and employer, and distinguished by the facts that they are implied and normally predate the employee and employer relationship (Roehling, 1997).

In their study on men, management and mental health, Levinson *et al* (1962), proposed several kinds of expectations, both unconscious (implicit) and conscious (explicit) are identified. An

unconscious assumption relates to dormant psychological issues and needs such as nurturances, which were possibly not even recognised by the employee. While a conscious assumption explicitly relates to expectations of job performance, the use of specific skills, social relations in the workplace, job security, and economic rewards (Roehling, 1997). These expectations have ‘obligations’ and ‘compelling’ qualities and either they are fulfilled or not, they operate powerfully and determine the employee’s behaviour (Schein, 1970). In turn the organisation’s expectations which originate from its history and the organisational environment in which it functions centres on the behaviour and attitude of the employees (Roehling, 1997). For instance, these employees were required to “be committed to the organisational values, pay attention to improving cost and efficiency, continually develop skills to advance further in organisational ranks, stay dedicated to free enterprise principle, and demonstrate a certain amount of flexibility” (Van Maanen and Schein, 1977; Roehling, 1997, 2008). Furthermore early researchers sought to understand the fundamentals of expectations by studying clinical psychological perspectives (Levinson *et al.*, 1962) and theories of the basic motivational drivers of the individual (Schein, 1970).

Second, the expectations of employees are dynamic and regularly forming even before they begin working for an organisation (Levinson *et al.*, 1962; Schein, 1983). These expectations are developed from inner needs, social and cultural values, traditions and norms, past experiences (of both individuals or close family members) and a host of other sources (Schein, 1983), in relation to organisational experiences. Levinson *et al.* (1962) noted that on the other hand, the organisation’s expectations arise from its history, business environment, policies and practices and managerial and organisational statements and values. Third, these researchers

view the contract as consisting of involving two key parties, the employee (individual) and the organisation, and the perspective of the psychological contract of both employee and employer are explored (Kotter, 1973). Literature also revealed that managers were often seen as the suitable person to represent the organisation's perspective (Levinson *et al.*, 1962; Kotter, 1973) and enact the psychological contract through the 'rule of reciprocity' and continual interactions.

Fourth, these researchers recognised the importance of the 'rule of reciprocity' and mutuality in establishing a 'workable' psychological contract (Schein, 1970). When both processes worked well, it resulted in 'matched' expectation (Kotter, 1973), or contract fulfilment occurred. As noted in (Levinson *et al.*, 1962), the benefits of fulfilment include job satisfaction and the fuller use of capacities, increased organisational commitment and loyalty (Schein, 1970) and reduced turnover or intention to turnover (Kotter, 1973). On the other hand, when both processes do not work well, expectation 'mismatches' (Kotter, 1973), or expectations not met, resulted in psychological contract 'violation' Schein (1970). The downfalls of this contract 'violation' include a range of negative behaviours, attitudes and other emotional responses (Levinson *et al.*, 1962; Schein, 1970; Kotter, 1973). In general, the researchers' focused the psychological contract concept upon how to best manage often competing employee and organisational expectations to optimally meet the needs of each party (Levinson *et al.*, 1962; Schein, 1970). Fifth, these researchers viewed the contract as dynamic, hence changing over time, just as employee and organisational expectations and needs change (Levinson *et al.*, 1962; Schein, 1970).

Finally, majority of work carried out to investigate the psychological contract method was done using qualitative method (notwithstanding Kotter, 1973) and these works were developed using a large number of semi-structured interviews. Nevertheless, irrespective of the insights from these early works the concept of the psychological contract did not create much research interest, either theoretically or empirically, at the time (Conway and Briner, 2005). Roehling (1997) carried out a detailed review on earlier studies on psychological contract. In recent times the concept found its ‘renaissance’ (Cullinane and Dundon, 2006) following a study re-introducing the concept by Rousseau (1989). Rousseau opinion of the psychological contract is different from the original description which was (focused on) an exchange relationship as Rousseau focused more on an individual level experience based on cognitive approach (Rousseau, 1989).

3.2.2 The Rousseau Account of the Psychological Contract

Rousseau (1989) has been a major contributor to the psychological contract; she has been mainly associated with the re-introduction of the concept. It has been three (3) decades since Rousseau’s (1989) re-introduction and in order to give a rich and balanced account of how the contract has evolved over time, this current study shall explore Rousseau’s (1989) works. Where applicable, if theoretical or empirical analysis of the psychological contract has since moved considerably in her findings, this shall be discussed. However it is vital for this current study to gain in-depth understanding of Rousseau’s earlier works (1989; 1995; 2001) as it remains frequently cited by psychological contract researchers as the foundation for their study. Psychological contract is defined as an individual’s belief or perception of a reciprocal exchange agreement between the individual and the organisation (Rousseau, 1989). The main challenges experienced here are the belief that a promise has been made and a consideration

offered in exchange for it, binding the parties to some set of reciprocal obligations (Rousseau, 1989). Her definition of the psychological contract shifts the focus of the contract from expectations to obligations (Sotiriou, 2005). In other words, according to Rousseau (1989) the perceptions that constitute the contract are obligations arising from the exchange of perceived promises. Her study further differentiates these beliefs from the broader concept of expectations.

In a later study Rousseau and Tijoriwala (1998) showed that while obligations are a form of expectation, not all expectations need to be promissory and, thus, not all expectations form part of the psychological contract. In addition Rousseau (1989; 1995; 2001) gives a detailed discussion into what a psychological contract related promise constitutes of. In looking into the building blocks to the formation of the psychological contract, she examined the relevance to two key types of promises related to the psychological contract, these are:

- Promises expressed verbally, centred on type of speech to convey promises – ‘explicit’ promises
- Promises expressed through actions, promises derived from the interpretation of actions or indirect statements – ‘implicit’ promises (Rousseau, 2001).

Rousseau (2001) also notes that one should take into consideration the ‘role of context’ when an individual interprets promises, either through words or actions. Events where promise-making and exchange are expected, such as during inter-personal relations (Rubin and Lewicki, 1973) and cooperation with groups (Dawes *et.al.*, 1988), are times when organisational communications are likely to be interpreted as promises (Rousseau, 2001).

This issue of which types of beliefs and/or actions, expectations, obligations and/or promises, constitute the individual's perception of the psychological contract remains a challenge to be addressed in the study of the contract. In fact it can be noted that overtime there was a shift in Rousseau's notion of what constitutes the psychological contract. For example, the earlier works Rousseau (1989) clearly supported theoretical claims centred on promises and its sole role as what constitute the psychological contract while her later works both theoretical Rousseau (2010) and empirical Robinson *et al.*, (1994); Rousseau, (1998); Bal *et al.*, (2010) have adopted the broader concept of obligations. Nevertheless, more recent studies continue to identify with Rousseau's (2001) concept of a promise based contract (De Vos *et al.*, 2005; Restubog *et al.*, 2010; Conway *et al.*, 2011). This issue will be further discussed in Chapter six.

In terms of how an individual's perception of the psychological contract develops, earlier works of Rousseau and her contemporaries argued that promise based perceptions relevant to the contract only as a result of interactions in the current employment relationship not including perceptions which predated this relationship (Rousseau and Greller, 1994; Rousseau and Wade-Benzoni, 1994; Robinson, 1996). However, later works of Rousseau on psychological contract (Rousseau, 2001, 2010) and works of majority of contemporaries (Conway and Briner, 2005, 2009; Tallman and Bruning, 2008) shifted from their initial claims. Their work now identifies and explores extra-organisational factors and intra-individual characteristics as relevant sources of information on how the individual's perception of the contract is developed. Regarding relevant intra-organisational information sources, Rousseau and her contemporaries have supported various organisational roles as

‘contract – makers’ (Rousseau and Wade-Benzoni, 1994; Rousseau and Greller, 1994; Rousseau, 1995).

This ‘contract – makers’ refers to the ‘large quantity of potential organisational agents’ (Rousseau, 2010), they include; recruiters, senior managers and direct supervisors, that can all convey information about reciprocal exchange commitments and thus help inform the development of individuals’ perception of the psychological contracts (Rousseau, 1995; Conway and Briner, 2005). Another relevant intra-organisational information source is contract – relevant or ‘social cues’. This can also be gathered from interactions with, and observations of, colleagues (Conway and Briner, 2005). Rousseau (1995) further suggests that organisations can express various forms of commitment ‘in an ongoing and relatively continuous fashion’ through agent statements, organisational policies and structures and ‘social constructions’ such as perceptions of corporate history or reputation.

Extra-organisational influences put forward which are relevant to development of the individual’s perception of contract include economic, legal and political factors (Aselage and Eisenberger, 2003; Conway and Briner, 2005) and social cues sourced from the socio-cultural factors (Sparrow and Cooper, 2012; Zhao and Chen, 2008). Recent studies have also suggested individuals’ internal interpretations, pre-dispositions and constructions as having a bearing upon the perception of the contract (Sparrow and Cooper, 2012; Westwood *et al.*, 2001), including personality type (Raja *et al.*, 2004; Tallman and Bruning, 2008), exchange and creditor ideologies (Coyle-Shapiro and Neuman, 2004; Roehling, 2008). Likewise, researchers in the post-Rousseau period are also clear that the individual’s perception of the

psychological contract will likely change over time, making the contract a dynamic construct (Robinson *et al.*, 1994; Rousseau, 1995; Conway and Briner, 2002; Schalk and Roe, 2007). However, the mostly cross-sectional contemporary empirical work has limited how these dynamics and the importance of sources in relevant psychological contract information (Conway and Briner, 2005).

According to Rousseau's (1989) study, the psychological contract is also considered as being perceptual in nature. An evaluation carried out in Rousseau and Tijoriwala, (1998) shows that the psychological contract is securely individual based, therefore an individual employee can have a particular experience in regards to the reciprocal exchange relationship he or she shares with an employer. Overtime, how the individual perceives the psychological contract may change from how it is being interpreted by other parties, often this because it is only a perception of promises which makes up the contract (Rousseau and Tijoriwala, 1998). With this in mind, in fact the promises do not necessarily make up the individual's perception of the contract rather it is the perceived promises (Robinson and Rousseau, 1994; Dadi, 2012). Likewise, the individual's perception of the psychological contract is characterised by the perception of mutuality and not in essence mutuality (Rousseau, 1990; Rousseau and Tijoriwala, 1998; Dabos and Rousseau, 2004; Isaksson *et al.*, 2010). That implies that both individual (employee) and employer (organisation) may not share the same understanding of the psychological contract terms (Robinson and Rousseau, 1994), and only assume they have same interpretation of the contract (Robinson and Rousseau, 1994).

Furthermore Rousseau (1989) argues that only individuals have psychological contract while organisations do not, despite acknowledging that. The role of the organisation is to create a context where the psychological contract can be formed but the organisation itself cannot have a contract with the employees (Rousseau, 1989). However, managers in the organisation can form a perception of the psychological contract with employees and they reciprocate in turn (Rousseau, 1989). Although as presented in this current literature, much of the work done after the re-introduction of psychological contract continues to focus on the employees' perception of the psychological contract as an individual. However, there is a consensus among contemporary researchers in the field that for a critical examination and analysis of the organisation's perspective of the psychological contract more empirical work is required (Conway and Briner, 2005, 2009; Cullinane and Dundon, 2006; Rousseau, 2010). Through this, organisations will gain in-depth understanding of the concept of mutuality between the organisation and the employee, and address the dearth of study in the area of understanding the organisations perspective of the psychological contract (McDonald and Makin, 2000; Tekleab and Taylor, 2003).

3.2.3 Rousseau's Account of Psychological Contract Violation

Rousseau's (1989) study on psychological contract also investigated to a great detail the case of a violation of the contract, hence the concept of contract violation. According to Rousseau (1989) psychological contract violation is defined as when organisations and other parties fail to respond or recognise the employee's contribution in ways the employee believes they are required to. Her study emphasised that, this failure or lack of recognition produces more than what the individual see as 'not fulfilled expectations', in short it indicates that there is a problem in the relationship between the organisation and the individual. In addition, though

the ‘not fulfilled expectations’ can result in the individual being dissatisfied and maybe frustrated, stressed and disappointed, a perceived violation of the psychological contract results in profound and extreme reactions, similar to deep resentment and moral indignation, and ‘victims’ develop an altered perception of the other party and their employment relationship (Rousseau, 1989).

Numerous studies after the re-introduction of the psychological contract have paid attention primarily to promises as what makes up the individual’s perception of the psychological contract because an experience of violation of promises, as claimed in Rousseau (1989) will result in very deep, emotional and organisationally harmful responses than ‘not fulfilled expectations’. Though there are existing empirical studies that supports this position (Robinson and Rousseau, 1994; Robinson, 1996; Andersson, 1996; Turnley and Feldman, 2000; Raja and Johns, 2011), there are also studies, both empirical (Taylor and Tekleab, 2004; Montes and Zweig, 2009) and theoretical (Roehling, 2008) that oppose this. As discussed above, whilst in Rousseau’s later works she withdrew back to an extent from viewing promises as the primary foundation for the psychological contract, the concept of ‘contract violation’, which were established on the effects of broken promises, are still extensively researched among scholars and organisations currently.

Finally, it should be noted that Rousseau introduced a predominant model which involved developing two main spectrums for the study of psychological contracts contents, and these are described as transactional and relational. Both spectrums can be considered as being two ends of a ‘contractual continuum’, which are based on the transactional relational spectrum

(MacNeil, 1980). Rousseau (1990) noted that the patterns of employee – employer obligations matched two types of reciprocal exchange agreements or psychological contracts and she referred to this as; transactional contract, which are short term agreements aimed at specific economic elements which can easily be liquidated, and relational contract which are open-ended agreements aimed at relationships rather than factors which can be liquidated, for example support and loyalty. An outline and contrast of Rousseau's (2000) extended model of contract content is given in section 3.5.

3.2.4. Differentiating Pre-Rousseau and Post-Rousseau's Studies of the Psychological Contract

The initial impression suggests that differences exist between accounts of the psychological contract by pre-Rousseau and post-Rousseau's researchers; however fundamental similarities exist between both. In this section the study shall discuss six (6) main areas of differences existing between pre-Rousseau and post-Rousseau theories of the psychological contract. An outline of these differences shall be given in Table 3.1. First, early researchers laid emphasis on expectations rather than promise based perceptions of the psychological contract (as shown in Table 3.1). The emphasis on promises puts a limit on the scope of the construct of psychological contract as opposed to the concept of expectations which provides a wider range of beliefs that are relevant to the psychological contract. However, both pre-Rousseau and post-Rousseau researchers infer that both promises and expectations share a fundamental similarity in how they are formed. This suggests that both the pre-Rousseau and the post-Rousseau researchers base their notion about promises and expectations on the perceptions of the employee about what should be given and received in the exchange relationship with the employer.

TABLE 3.1: DIFFERENCES BETWEEN PRE-ROUSSEAU AND POST ROUSSEAU'S STUDY

Components of the Psychological contract	Works of Rousseau and Researchers before	Works of Rousseau and Researchers after	Consequent evolution of thought in post-Rousseau period	Contributions to contemporary contract literature
Psychological contract perception	Expectations: (Levinson <i>et al.</i> , 1962; Argyris, 1960)	Reciprocal obligations based on promises: (Rousseau, 1995)	Differences in opinions on the use of expectations, obligations and promises as it contribute to beliefs. See discussion below.	Opinions regarding belief about the contract remain changeable.
Changes in beliefs in Psychological contract	Developed from experiences within, current employment relationship.	The employees' interaction with the employer shapes the contract (Rousseau and Greller, 1994; Rousseau and Wade-Benzoni, 1994).	Researchers are of the view that the various factors can contribute and change perception of the contract.	The exploration of extra organisational factors in contract belief development is less well developed than that of intra-organisational factors (Bankins, 2012)
The law of Reciprocity and mutuality	Schein (1970) argues that the concept of reciprocity and mutuality exist in fact to establish a 'workable' contract.	Mutuality and perceived promises were the focus.	The individual level remains a focus perceptual nature of the contract.	Literatures still remains more focused on the employees' perception of the psychological contract without a defined structure on the beliefs that constitutes the contract.
The dynamic nature of the contract	The psychological contract is dynamic as it changes over time in response to changes in employee and employer expectations (Levinson <i>et al.</i> , 1962)	There is agreement that the contract is dynamic in nature.	This remains largely agreed upon, however cross-sectional studies have limited further studies on the dynamic nature of the contract.	There is a scarcity of longitudinal research work to explore contract change – though some researchers worked on it (e.g. De Vos <i>et al.</i> , 2003, 2005; Robinson and Morrison, 2000).
Parties to the psychological contract	The employee and the employer are contract parties – organisational representatives may act as organisational agents.	The central party is the employee – 'the employer cannot have a psychological contract but can provide context for their creation' (Rousseau, 1989). Managers may 'perceive' a contract with employees (Rousseau, 1989).	Although there is agreement that organisational representatives provide contract-relevant cues and this 'side' of the contract requires further investigation	Focus is more on the employees' perception.
The results of unfulfilled contract beliefs	Various researchers focus upon 'unfulfilled' contracts (Levinson <i>et al.</i> , 1962), 'violations' (Schein, 1970) and contract 'mismatch' (Kotter, 1973). Researched outcomes includes; negative emotional responses and behaviour, increased turnover and a changed employee-employer relationship (Schein, 1970).	Contract "violation" yields deep and intense responses, similar to anger and moral outrage, with the 'victim' experiencing anger, resentment, shock, outrage and a sense of injustice and wrongful harm' (Rousseau, 1989).	Violation continues to be much explored tenets of the contract construct.	There has been a disproportionate focus on exploring the concept of contract violation.

Second, post-Rousseau researchers were of the opinion that the psychological contract is formed mainly by the individual – employer interaction (Rousseau and Greller, 1994; Rousseau and Wade-Benzoni, 1994; Anderson and Schalk, 1998), indicating that only individual perceptions of the psychological contract formed on the basis of the current employment relationship create the psychological contract (Roehling, 1998). Although as discussed earlier majority of contemporary researches have withdrawn back from these opinions, there is currently more cohesion between the pre-Rousseau and post-Rousseau's concept of the psychological contract. This is also shown in table 3.2. As discussed in section 3.2.2, the individual's perception of the psychological contract is continuously formed by intra-organisational factors (employee-employee relationships), extra-organisational factors (socio-cultural factors) and intra-individual characteristics (individual's personality). Hence this further supports earlier discussion that the psychological contract is dynamic in nature. However, further research using empirical methods is required to solidify these significant factors.

Third, Rousseau's work on promises and mutuality emphasised that regarding the terms of the perceived promises and the perception of mutuality an agreement is not required between an individual and the organisation. Schein (1970) mentioned that the early concepts of psychological contract focused on mutuality and the norm of reciprocity in order to create a 'practicable' psychological contract. Schein further suggests that both individual and employer are at least to some extent conscious of jointly formed interaction and there is some level of agreement. This current study noted that majority of existing literature on the psychological contract focuses on perception of the individual. Fourth, pre – Rousseau and

post – Rousseau researchers are in consensus that the psychological contract changes overtime. This also supports earlier discussion on the dynamic nature of the contract. Though, despite this consensus neither the pre – Rousseau or post – Rousseau researchers have in detail studied the dynamic nature longitudinally.

For the fifth, it was noted that for early researchers in the pre – Rousseau era, they agreed that the psychological contract mainly involved the individual and the organisation; they also recognised the roles of managers as agents of the organisation. Reinforcing the roles of organisational agents especially those in charge i.e., managers in the development of the psychological contract was a priority of pre – Rousseau researchers. As regards to post – Rousseau researcher’s stance on this, this current research shall compare their studies (also with how their thought patterns change overtime) to Rousseau’s (1989) work. Though Rousseau (1989) emphasised that the individual is the sole party to the psychological contract and argues that the organisation cannot have a psychological contract, she did identify that the organisation is responsible in ensuring that there is a context for the formation of the psychological contract and managers may have a perception of the psychological contract with their employees.

Current studies in the psychological contract field have delved in deeper into the subject and come to admit that the organisation’s agents are also significant and do contribute to the development of the psychological contract. In addition, these studies included that understanding the role of organisational agents is necessary to grasp a deeper understanding of the dynamic nature of the psychological contract (Tekleab and Taylor, 2003; Suazo and

Romero, 2011; Wainwright and Sambrook, 2012). Furthermore, there is a recent trend showing increased consensus on this point between pre – Rousseau and post – Rousseau researchers. Lastly, Rousseau (1989) introduced the concept of ‘violation of the psychological contract’, giving a more detailed discussion than earlier researchers. Though, in the work of researchers before Rousseau (1989), they referenced ‘not fulfilled expectations’ and psychological contract violations (Schein, 1970; Kotter, 1973). Even though they referenced this using different terms, both the pre-Rousseau and post-Rousseau researchers share a fundamental similarity in their theory relating to the extent which employees can react to a ‘not fulfilled’ perception of the psychological contract. For example, previous studies referenced emotional instability such as confusion, depression and diminution in morale (Schein, 1970) with a scope of behaviours such as cynicism, resentment, disagreement, stress and anxiety (Levinson *et al.*, 1962; Knibbs, 1979). This creates consequences faced in the employee – employer relationship such as askew values and goals (Schein, 1970; Lambley, 1971), intentional and continuous apathy in the organisation (Kotter, 1973).

In addition, Rousseau (1989) suggested that an individual’s emotional response to the psychological contract violation includes: feeling threatened, anger, bitterness and shock. Nonetheless, to draw attention to the key contrasts in these studies, researchers in the pre – Rousseau era emphasised more moderately, on the psychological contract fulfilment other than its violation, by having a good understanding of the concept of mutuality (Levinson *et al.*, 1962) and by ensuring the employee and employer relationship matches. This is done in order to ensure the relationship is properly managed (Argyris, 1960; Schein, 1970; Mumford, 1972; Kotter, 1973). On the other hand, empirical researches (cross-sectional) in the post –

Rousseau era laid more emphasis on the former and immediate effect of psychological contract violation.

In summary, the above section has provided concepts on which the formation of the psychological contract is based, particularly by exploring the differences in pre-Rousseau and post-Rousseau concepts of the psychological contract to show how the notion of psychological contract has evolved in the field. So far, this current study has identified areas of agreement in the different eras of the psychological contract and its violation; it has also shown the required areas for further research. For instance there was always a consensus on the dynamic nature of the psychological contract, however other positions taken by Rousseau and her contemporaries have been withdrawn back to align with pre – Rousseau researchers, especially in regards to the concept of mutuality, the role of organisational agents in development of the psychological contract and the wider view on intra organisational and extra organisational factors in developing the perception of the contract. Rousseau's (1989) work has led to a continuous debate by researchers and organisations on what constitutes the 'perception of the psychological contract'; this current study shall discuss this in detail in the next section. The discussion carried out in the next section shall relate to an important argument developed which will set the foundational concept for the psychological contract in the current study.

3.3 Conceptual foundations of the Psychological Contract

Existing studies on psychological contract advises researchers to be more precise about where they stand, particularly in regards to developing concepts and promoting understanding of what forms the perception of the psychological contract (Roehling, 1997, 2008; Conway and

Briner, 2005; Mohale et.al., 2011). As discussed in the previous section, this is as a result of the uncertainty about what forms the perception of the psychological contract. The overarching aim of this argument is that the main emphasis on promise based perception of the psychological contract is too limiting to provide ample understanding of pre-Rousseau and post-Rousseau notion of the psychological contract. As a result contemporary studies on psychological contract explore the concept of the contract deeper. With this in mind, by assuming the formation of the psychological contract refers to the individual and organisation's perception of their reciprocal exchange relationship, as well as a method to explore the dynamic nature, individual-based and undetermined aspects (Rousseau, 1995; Cullinane and Dundon, 2006), the current study shall show using existing concepts that the formation of the contract is based on relevant concepts other than the perceptions of promises.

This section begins by discussing the developments that have occurred overtime in the psychological contract research on 'promises' as the main contributor to its formation. Next the section looks into the subject of philosophy, speech act theory and law that proposes a number of detailed theories in relation to the concept of promise. These are referenced in analysing the construct of promise as a concept in psychological contract literature. The distinction between the notions of implicit – explicit promise will be critically analysed both theoretically and empirically as basis for the formation of the concept. Next, it will be shown that individuals do have some perception of the psychological contract which are not based on promise and will yield the same intense negative reactions in the case of a 'not fulfilled' promise. Finally, the extant 'explicit-implicit' promise distinction will be critically analysed both theoretically and empirically as a basis for the formation of the concept of promises and

it will be shown that certain beliefs exists among individuals that are not based on a promise and will have the same ‘normative force’ as well as result in similar negative reactions when not fulfilled as their promise-based counterparts.

3.3.1 Recent Developments in Research on Psychological Contract – Expectations, Obligations or Promises?

To critically analyse the focus on promise based perceptions of the psychological contract in existing research, this current study first provides clear evidence that this focus does exist. The re-introduction of the concept of psychological contract by Rousseau (1989), also led to the redirection of what forms the perception of the contract i.e., there was a shift from the notion of expectations to the notion of promise this is shown in Table 3.2 which also indicates that Rousseau’s position on this has not changed. Though Rousseau’s earlier work constantly emphasised the notion of promises in the formation of perception of the psychological contract, her more recent work emphasised the wider notion of obligations in the formation of the perception of the psychological contract as shown in the table. In fact Rousseau (2010), indicated in the study that in assessing what forms the psychological contract, obligations should be considered because they are much more preferred over expectations or promises. On the other hand, while Rousseau’s recent work showed a shift in focus, her previous studies (Rousseau, 1989; 1995; 2001) continues to stay very relevant such that many contemporary psychological contract researchers (Chrobot-Mason, 2003; Johnson and O’Leary-Kelly, 2003; Dulac *et al.*, 2008; Schalk and Roe, 2007; Montes and Irving, 2008) adopt her concept of psychological contract which is formed on perception that it is promise – based.

Table 3.2 identifies researchers who in the last twenty (20) years have contributed immensely to the subject of psychological contract, in terms of its formation, how it is perceived, its

dynamic nature and psychological contract violation. When contemporary researchers focus their study on promises, they usually give no explanatory reasoning behind it, other than reference researchers who have also utilised the concept of promises. With this, knowing whether beliefs were considered or left out on purpose or otherwise becomes difficult, hence this results in unconvincing validations for only focusing on the concept of promises, over others. Researchers who give explanatory reasons often draw upon Rousseau's (1989) study that the perception of expectations, promises and obligations are encountered at various stages of the formation of the psychological contract which in turn can led to varying intense reactions based on the type of perception that is not fulfilled (Guest, 1998; Rousseau and Tijoriwala, 1998; Roehling, 2008).

TABLE 3.2: KEY RESEARCHER'S PERCEPTION ON FORMATION OF PSYCHOLOGICAL CONTRACT FORMATION AND MEASUREMENT (SINCE ROUSSEAU, 1989)

Researchers	Underlying Psychological Contract Concept	Underlying Psychological Measurement of Concept	Specific researchers in Psychological contract work
Rousseau <i>et al.</i>	Promises	n/a	Rousseau, 1989; Rousseau and Wade-Benzoni, 1994; Rousseau, 1995; Rousseau and Tijoriwala, 1998; Rousseau, 2001
	Includes references to promises, obligations and expectations	n/a	Rousseau and Greller, 1994
	Includes references to promises, obligations and commitments	Obligations	Dabos and Rousseau, 2004
	Promises	Obligations	Rousseau, 1990; Hui, Lee and Rousseau, 2004
	Obligations	Obligations	Bal, Jansen, van der Velde, de Lange and Rousseau, 2010; Rousseau, 2010
Robinson <i>et al.</i>	Promises	Obligations	Robinson, Kraatz and Rousseau, 1994
	Promises	Promises	Robinson and Rousseau, 1994; Robinson, 1996; Robinson and Morrison, 2000
	Obligations	Promises	Robinson and Morrison, 1995
	Promises	n/a	Morrison and Robinson, 1997
Kickul <i>et al.</i>	Promises	Promises	Kickul and Lester, 2001; Kickul, 2001(a); Kickul, 2001(b)
Coyle-Shapiro <i>et al.</i>	Obligations	Obligations	Kessler and Coyle-Shapiro, 1998; Coyle-Shapiro and Kessler, 2000; Coyle-Shapiro and Kessler, 2003
	Promises	Obligations	Coyle-Shapiro, 2002; Coyle-Shapiro and Kessler, 2002
	Promises	Promises	Dulac, Coyle-Shapiro, Henderson and Wayne, 2008
	Obligations and promises	Obligations	Parzefall and Coyle-Shapiro, 2011
Montes <i>et al.</i>	Promises	Promises	Montes and Irving, 2008; Montes and Zweig, 2009
Restubog <i>et al.</i>	Promises	Promises	Restubog, Hornsey, Bordia and Esposito, 2008; Zagenczyk, Gibney, Kiewitz and Restubog, 2009; Restubog, Bordia, Tang and Krebs, 2010
Conway and Briner <i>et al.</i>	Promises	Promises	Conway and Briner, 2002; Conway, Guest and Trenberth, 2011
	Promises	n/a	Conway and Briner, 2005
De Vos <i>et al.</i>	Promises	Promises	De Vos, 2005; De Vos, Buyens and Schalk, 2003
	Promises	Expectations	De Vos, Buyens and Schalk, 2005
Schalk <i>et al.</i>	Obligations	Obligations	Freese and Schalk, 1996
	Promises	Obligations	Linde and Schalk, 2006
	Promises	n/a	Schalk and Roe, 2007
	Promises	Promises	van den Heuvel and Schalk, 2009
Ho <i>et al.</i>	Promises	Promises	Ho, Weingart and Rousseau, 2004; Ho and Levesque, 2005
	Promises	n/a	Ho, 2005
	Obligations	Obligations	Ho, Rousseau and Levesque, 2006

Feldman <i>et al.</i> ,	Includes references to promises, obligations and expectations	n/a	Turnley and Feldman, 1999(a)
	Refers to 'beliefs'	Promises	Turnley and Feldman, 1999(b)
	Promises	Promises	Ng and Feldman, 2008
	Promises	n/a	Ng and Feldman, 2009
Sparrow <i>et al.</i>	Includes references to promises, obligations and expectations	n/a	Sparrow and Cooper, 1998
	Expectations	Obligations and promises	Sparrow, 1998
	Promises	n/a	Westwood, Sparrow and Leung, 2001
	Promises	Promises	Arshad and Sparrow, 2010
Suazo <i>et al.</i>	Promises	Promises	Suazo, Turnley and Mai-Dalton, 2005; Suazo, Turnley and Mai-Dalton, 2008
	Promises	n/a	Suazo, Martinez and Sandoval, 2009
	Promises	Obligations and promises	Suazo and Turnley, 2010
Tekleab <i>et al.</i>	Obligations	Obligations	Tekleab and Taylor, 2003
	Promises	Obligations	Tekleab, Takeuchi and Taylor, 2005
	Promises	Promises	Tekleab and Chiaburu, 2011
Bellou <i>et al.</i>	Promises	Obligations	Bellou, 2007; Bellou, 2009

According to Rousseau (1989), when the perception of the psychological contract is based on promises, this involves some level of trust, a sense of relationship and an assurance that there is a promise with benefits waiting. Therefore when an individual perceives that a promise has been violated, it often results in deeper, emotional and organisationally-harmful reactions than when the individual perceives an expectation is 'not fulfilled' (Rousseau, 1989; 1990; McGrath *et al.*, 2015; Curwen, 2016) which usually results in disappointment and a less emotional outcome (Thomas and Anderson, 1998). Using empirical methods some researchers in the field have similar views (Robinson, 1996; Turnley and Feldman, 2000; Zhao *et al.*, 2007), while other researchers question the validity of these results (Taylor and Tekleab, 2004). A more recent study by Montes and Zweig (2009) offered evidence using empirical research methods to show that the role of promises in predicting feelings of violation and behavioural intentions is negligible.

Using theoretical methods some researchers (Robinson, 1996; Shore et.al., 2004; Roehling, 2008) have posed the question whether negative reactions resulting from unfulfilled promises have a stronger intensity compared to unfulfilled obligations that are not based on a promise. In addition to the challenges faced in the concept of promises, expectations and obligations, Thomas and Anderson (1998); Montes and Zweig (2009) noted that existing researchers often use these concepts either individually, collectively or interchangeably. This indicates ambiguity in concepts that form the psychological contract which is as a result of inconsistencies in defining these concepts (promises, expectations and obligations) by both the pre-Rousseau and post-Rousseau researchers. Table 3.2 demonstrate how researchers can make reference to various concepts when discussing their perception on the formation of the psychological contract.

Finally, there seems to be a lack of connection between researcher's perception of the formation of the psychological contract and how what form the contracts are being measured in some existing studies. Though some researchers propose that the perception of the psychological contract is formed mainly based on promises, yet they measure the fulfilment of the contract based on obligations. Furthermore, from Table 3.2, it can be seen that even though some researchers perception on what forms the psychological contract is based on promises and they measure if the contract is fulfilled using perceived promises, the quantitative measure utilised often does not differentiate implicit from explicit promises, therefore captures only the explicit promises. This is with the exception of works of (Robinson and Morrison, 1995; Conway and Briner, 2002 and De Vos *et al.*, 2003).

This section has discussed that though existing researchers emphasise that the formation of the psychological contract is promise based, there appears to be no clarity amongst the various concepts proposed as to what forms the perception of the psychological contract. As discussed in this study that promises offer a narrow view to form the perception of the contract, this chapter shall build and develop this argument further by giving a detailed description to clarify the concept of promise. The next section shall look into what a promise is and what it is not. To grasp a better understanding of the psychological contract it is important to identify the scope of the perception of the contract based on promises. The next section shall show that focusing on promises poses too restrictive a theoretical basis to analyse the psychological contract.

3.3.2 What is a promise? An Interdisciplinary Approach

In existing studies, a promise is described to either be a dedication to, or an assurance for a course of action in future such as providing the promise recipient with some benefit' (Shiffrin, 2006; Montes and Zweig, 2009). According to Morrison and Robinson (1997) a promise is simply any communication of future intent. Rousseau (2001) stated that the way promise is used in psychological contract covers wide range of verbal and non-verbal expressions of future intent', or an obligation to do (or not do) something. (Roehling, 2008). From the definitions above, it can be seen that the idea of what a promise is can often be interpreted differently and therefore researchers in the field of psychological contract need to clarify the definition of the term (Conway and Briner, 2005).

Diverse fields of research have covered the subject of promise though this is more detailed in the following disciplines: law, philosophy and speech act. These disciplines will provide this current study with a detailed explanation of the definitive characteristics that form a promise. With this, there will be a defined clarity on what makes up the term ‘promise’, than it is currently defined in the psychological contract studies. Tapping into the vast and in-depth study on promise in these disciplines shall help gain conceptual detail given the fairly broad existing definitions of a promise that are available in the psychological contract studies. Further, discussion carried out in this section will inform the later discussion on implicit and perceived promises, firstly, by detailing what a promise encompasses. Searle (1969) describes a promise as an obligation on the part of an individual to accomplish a future action. According to (Bernicot and Laval, 1996), nine (9) conditions are to be met to define a promise. These conditions are grouped into four main categories: these are:

- a statement offering the future accomplishment of an action
- a preliminary condition
 - both the promisee and promisor share the belief that the promisor would rather accomplish the future action than not
 - neither the promisor nor the promisee can ascertain that the promisor will actually accomplish the action
- an affirmative state statement that the promisor will intends to accomplish the action
- a confirmatory statement that makes it an obligation for the promisor to accomplish the future action.

As a researcher in the discipline of philosophy Scanlon (1998) defined promise to comprise of the following:

- an assertion of a definite intention
- an assertion aimed at inducing belief in the intention
- this assertion is made with belief in the clarity of the circumstance about the importance of the assertion (the truth of the believe will matter to you if you do believe it)
- an intentional assertion of an intention creating an obligation

Researchers (Goetz and Scott, 1980) in the field of law describe a promise as situation whereby a promisor communicates an intent to perform a future action of benefit to the promisee. Also, the obligation to fulfil a promise is recognised as an ethical obligation (Goetz and Scott, 1980; Atiyah, 1981; Fried, 2015) in spite of whether these obligations are reasonable or not, its value does not diminish (Smith, 1972; Jeske, 2002). From these definitions it is obvious that there is a common agreement across these various fields that a promise comprises of:

- at least a promisor and a promisee;
- an obligation to perform a future action
- an intention and ability to fulfil this action
- a reliance by the promisee on the fulfilment of the action
- a promise can be verbal or nonverbal and
- an obligation is created making it wrong not to fulfil the action

From the discussed disciplines which have covered the topic of promise comprehensively, the proposed theoretical framework will take into consideration the differences between promises and other communication form that do not communicate a promise, these comprises of

assertions and opinions/guesses. An understanding of the differences provides this current study with a basis for analysing employee – employer communications which is currently interpreted as ‘conveying promises’ within psychological contract studies.

In a study on asserting and promising, Watson (2003) promising is described as supporting the promises’ plan and therefore performing an action in direct relation to his his/her deliberations. In addition, promises do ‘not only bind my will by creating reasons for acting as promised but are meant to provide corresponding reasons for others’ (Watson, 2003, p. 65). On the contrary, an assertion is emphatically declaring something as true (Watson, 2003). For example, ‘to assert that p is, among other things, to endorse p, to authorise others to assume that p, to commit oneself to defending p, thereby (typically) giving others standing to criticise or challenge what one says’ (Watson, 2003, p. 58). One main difference here is that promising is subjected to a different justificatory burden to asserting. The ‘special assurance that is given in promising is not that p is true (as in asserting) but ... to make it true’ (Watson, 2003, p. 62).

An assertion is putting a statement forward with a provision for it to be challenged as true or untrue. An assertion does not create an obligation or commitment to perform any action in order for the assertion to be true unlike a promise, except perhaps providing evidence of its truth. Example of the three types of communication that can occur in the employee – employer relationship and as discussed in this section are: if a manager says to a lower level employee:

- after working in this department for four (4) years, ‘I promise you will receive a promotion’ (this constitutes a promise);
- most of our employees get promoted after four (4) years with this department.
- ‘I bet after four (4) years with us you will get a promotion’ (this constitutes an opinion or a guess).

The discussion in the section has drawn upon theories from three dominant fields that have given clarity and consistency in describing what the concept of a promise entails. Hence, this current study’s definition of a promise constitutes the features highlighted in this section. Furthermore, the study is of the perspective that the concepts of promises, assertions and opinions or guesses are forms of communication, but have different connotations. Additionally, this detailed review of the concept of promise furthers the argument on the concept by providing a base from which the current study can openly criticise the definition of ‘promising’ in the psychological contract demonstrating that the applied concepts of explicit and implicit promises are not robust.

3.3.3 Difference between ‘explicit – implicit’ promise

Although in the contract studies ‘explicit’ promise and the concept of ‘promises’ and ‘promising’ are generally aligned, however the existing descriptions of promise have led to the inclusion of the term ‘implicit’ promise. The concept of implicit promise forms a key part of the post-Rousseau’s concept of the formation of the psychological contract; however, there is still a lack of clarity in its definition by other post-Rousseau researchers (Conway and Briner, 2009). Existing definitions of implicit promise does to a large extent make reference to how the concept is developed. References such as: interpreting previous exchange; observing the experiences of the employees by indirect learning; observing employees’ experiences

through indirect learning; obtaining deduction recurring pattern of exchange and observations of previous practice, through factors that employee – employer can ignore, such as fairness, support or good faith (Robinson and Rousseau, 1994; Benabou and Tirole, 2003; Cassar and Briner, 2009). To critically analyse this challenging concept of promise, an example from Rousseau (2001) is explored using the theoretical framework of the definition of promise as defined for this current study. Robinson and Morrison (2000) also used a similar example in their study. This analysis is carried out because what constitutes the notion of implicit promises cannot be properly defined without considering the existing consensus on what constitutes a promise as indicated by the three (3) dominant fields.

In the scenario given by Rousseau's (2001): an employer that 'cites' the experience of recently employed employees in the organisation can be logically interpreted to promise the listener that he or she will have the same experiences upon joining up (p. 527). For this discussion, it is assumed the candidate applied for a sales representatives' role and the employer mentioned during the interview that recently employed employees in similar roles were promoted within their first four (years) of working with the organisation. Considering the scenario in isolation of other factors, it is too broad and the term implicit promise does not come to mind at first read because the scenario does not show any of the core definitive features of a promise as outlined in the previous section. For example, there is no indication that in future the employer will take some action or acknowledge that he/she has the power to do so, either directly or on the behalf of the organisation. What is obvious about the scenario is that the employer is giving the candidate an overview of past promotional trends, which the candidate can ask him or her to verify, but not a promise. This is similar to making an

assertion as defined by Watson (2003). Although the applicant may appreciate a valid confirmation of future promotion, however, the employer may not in this instance be held liable to do so based on the interaction in this particular scenario as there are no additional features of a promise being made.

The assessment of this scenario shows that considering the consensus of clarity as defined by the three dominant disciplines on what constitutes a promise, this scenario does not constitute a promise. Therefore, the statement made by the employer should not in any way create or constitute an obligation based on the perception that a promise was made. Though this study has given just an example exploring the concept of implicit promises, the analysis carried out can also be applied to other examples; for instance in the case of ‘indirect learning’, whereby there is learning from experiences of others as discussed in (Rousseau, 2001; Conway and Briner, 2005). Also, indicating that individuals generally interpret such statements as a promise implies that it is difficult for individuals to discern an actual promise from an assertion. Researchers in the speech act field are of the opinion that children as young as three (3) could differentiate between statements that express a promise and statements that do not (Bernicot and Laval, 1996). Therefore to support the notion of implicit promise, there is a need for empirical assessment that will safely prove that adults in the world of work, at least in most cases, cannot normally distinguish statements that express a promise from statements that do not.

However, post – Rousseau researchers may argue that the perception of the psychological contract is formed based on perceived promises rather than actual promises (Robinson and

Rousseau, 1994; Robinson, 1996). This implies that in the context of a psychological contract, a promise is formed if a communication is perceived as a promise either it was intended to be an actual promise or not. The difference between perceived – actual promise can be related to implicit – explicit promise. In a similar scenario to Rousseau's as given above, Robinson and Morrison (2000) considered the following scene: an employer can make a promise to a new someone recently employed acknowledging a promotion within four (4) years (which constitutes an explicit promise), or the employer may utter some unclear statement like 'employees are likely to get a promotion quickly in this department within four (4) years' (which constitutes an implicit promise), the employee may believe this to be promise that he/she will be promoted hence this belief form part of the employees psychological contract.

Rousseau (2001) posits that the role of context is key in determining that a particular communication is an implicit promise. This in turn can enable employees, organisations and researchers have a better understanding of how such vague statement may be perceived as a promise (Robinson and Morrison, 2000). Furthermore, an individual often expects perceived promises to be made during recruitment, organisational socialisation, and repetitive interactions that occur in the world of work (Rousseau, 2001). Hence, employees tend to interpret verbal expressions and organisational actions as promises (Rousseau, 2001). Through analysis of the implicit – promise scenario in isolation as done in this section, this current study is of the view that the conversion does not meet the general consensus on what constitute a promise and therefore may not be interpreted as a promise by the employees.

By integrating characteristics of social cognition theory the concept of implicit promise can be better understood (Bandura, 1999). Social cognition theory is of the view that the actual perception of people about the social world is different from expectations based solely on motivational information and formal principles of logic (Clegg *et al.*, 1999; Lieberman and Pfeifer, 2005). As a result, existing studies are predisposed to make the study of how people go beyond giving information their main field of inquiry (Higgins and Bargh, 1987; Lieberman and Pfeifer, 2005). Researchers in psychological contract make reference to certain cognitive or mental concepts such as schemas, attribution biases and judgement errors (Rousseau, 2001); perceived breach and violation of the contract (Morrison and Robinson, 1997). Though, other than noting that schemas can change how people construe contract-relevant messages (Rousseau, 2001), in literature no precise theoretical or practical work on how different context affects an individual's' reasoning hence how they interpret messages and actions in an organisation (Conway and Briner, 2005).

To illustrate further if an employee wants to know whether or not his/her employers' statement is a promise, the individual may implement techniques that allow to: search for or interpret the message in such a way that it fits his/her own assumptions (Oswald and Grosjean, 2004); implement a range of reasoning skills to support interpretation or fit their perception to their expectations (Oswald and Grosjean, 2004). Additionally, relationships such as one that exists between the employee – employer developed while working with the organisation as well as knowledge of past behaviour may in the long run (due to accumulation) have the effect of promoting the individual's perception of the employees' organisational promises, even though there may be no intentional promise.

However, in opposition to Rousseau's (2001), the social cognition theory suggests that certain events carried out by the organisation can promote how the individuals' interpret a promise. Some existing studies (Cosmides and Tooby, 1992; Chiu *et al.*, 2006) in social cognition theory are of the view that the individual's reasoning ability are heightened by organisational procedures with uncertain outcomes such as outsourcing, restructuring etc., this implies that during such procedures communication is most likely to be interpreted more objectively by the employee (McKnight *et al.*, 1998). Though this is not an all inclusive list, however recognising the different ways in an individual's reasoning can influence the interpretation of a promise may allow for better understanding of the concept of implicit promise. In this section, the study highlighted the underdeveloped current state of the concept of implicit promise and indicated that in theory the concept can still be questioned and it is not practically validated concept. So far, existing studies in the field of social cognitive theory have fallen short in providing evidence of a systematic cognitive or contextual effect that shall result in an individual frequently making interpretations of communications and actions in the organisation as promises even though they are not.

This concept of implicit promise requires further investigation using concepts from social cognition theory. Therefore for the purpose of this study, promises are in line with the psychological contract definition of an explicit promise are adopted rather than idea of an implicit promise. In light of this, promises will in fact form part of the individual's perception of the psychological contract. Not accepting that the perception of the psychological contract

is based only on promise is to address the diverse employee perceptions that have the same value or normativity as a promise even though they are not based on a promise.

3.3.4 Relationship between Normative Beliefs and Promises

Ajzen (2006) describes a normative belief as an employee having expectations that the employer will make certain provisions. By belief, this current study considers factors that contribute to the formation of the psychological contract. From the definition of promising in section 3.3.3, a promise will, normally lead to establishing of a normative belief the employer should, and has an obligation to accomplish the promise. A normative belief, which is not based on a promise, will create the perception of an obligation that an action should be performed by the other party without a related belief that the other party has an obligation to fulfil it. This is in relation to the wider concept of expectations that indicates the beliefs of individuals about what to anticipate on the job. This can be as a result of different socio-cultural factors i.e., employees prior experiences, employees social background etc., (Sparrow and Cooper, 2003). Here it is noteworthy that both promise based on normative beliefs and promises not based on a normative belief initiate the belief that the other party should make a provision.

In essence, this section shall discuss using examples of how promise not based on beliefs can in theory be as important for individuals, and can give similar negative reactions as promise based beliefs if not fulfilled. For example, in a scenario where an employee does not perceive that his or her employer has made a promise, but however still holds a normative based belief in the employer's obligation to behave accordingly. This is as a result of existing socio-cultural factors such as morals, values, social life, religion etc compelling these feelings in the

employer. Considering a more general case; employees within an organisation may expect their employer to be respectful to all staff, this is not because the employer has guaranteed this, but because the prevailing moral standards requires so. Some researchers in psychological contract agree that normative beliefs like this exist in absence of a promise.

Another example can be seen in MacNeil (1985), his study suggests that in an employment relationship, obligations that are heavily binding can arise simply from simple everyday operations, interactions, habits, religious values, and traditions have little or no consideration for the obligations it may require neither do they consider the consequences. Though these are often more basic than promise beliefs that are explicit (MacNeil, 1985). Research further indicates that there are social customs that are in relation to the employment exchange relationship to form obligations in a wider sense such as the role of reciprocity (Roehling 2008; Aggarwal and Bhargava, 2009). Therefore, indicating that significant beliefs relating to moral, social, religious, cultural norms and the likes would not be included in the formation of the psychological contracts because the concepts are formed only by belief based on promises thereby leading to an insufficient theoretical foundation in understanding of the contract.

Likewise, an individual forms considerable normative beliefs from personal experiences, as oppose to a promise based belief. For instance, in this next scenario, an employee may complete a task in his or her current organisation and expect the employer's verbal feedback of 'a job well done'; the employee has formed this belief based on various reasons like past work experiences in other organisations, values the employee grew up with, custom or other personal predisposition. From the above scenario, it can be seen that even though the employees' current employer is yet to make a promise to the employee about acknowledging

effort made, nevertheless because the employee has this predated expectations that the employer will provide acknowledgement even if verbal to a 'job well done', this is obviously of significance to the employee – employer reciprocal exchange relationship but this pattern of belief based on employees' personal experiences and character, would not be included in the formation of psychological contract concept involving only promise based beliefs.

Another important aspect of the relationship between the concept of promise based beliefs and non – promise based belief involves the individual's reaction when either type of belief is not fulfilled. As discussed in section 3.3.1, the assertion that promises not fulfilled shall lead to intense employee reactions than when non – promise based belief are not fulfilled is key in justifying post – Rousseau's era researchers because their work lay emphasis that formation of the concept of the psychological contract solely constitutes of promise. However, the inconsistency in limited empirical research to support this assertion (Arnold, 1996; Taylor and Tekleab, 2004; Montes and Zweig, 2009) provides an opportunity to challenge it. Seizing this opportunity (Omisore and Ogundowole, 2014) made a theoretical case demonstrating that, there are possibly many cases where both promise based and non – promise based beliefs shall result in employees reacting the same way when they are not fulfilled.

As shown in previous examples, an employee's normative beliefs may be as result of his/her personal experience. Using the last scenario, that involves the employee with a normative based belief that the employer ought to acknowledge his/her work effort at least verbally. Assume that this employee considering personal disposition, discovers the normative belief was not fulfilled, the employees' following response could be negative and harmful to the

organisation compared to if for example a promised salary bump is withdrawn. The individual's normative beliefs and distinctive past experiences is subject to criticism as a factor driving the employees' over ambitious expectations. However, this scenario shows this is not conclusive as such beliefs from distinctive experiences that are not fulfilled can still lead to negative and harmful responses similar to responses from fulfilled promises. Empirical evidence provided in Cassar and Briner, (2009) argues in support that employees' past experiences influences how employer obligations are identified and contributes to the development of psychological contract. The next section presents the supporting mechanisms relevant in exploring the dynamic nature of the psychological contract.

3.4 Violation and Breach of Psychological Contracts

Finally the chapter presents the arguments relating to mechanisms relevant in exploring psychological contract which are; 'violation' and 'breach'. In psychological contract, the terms 'violation' and 'breach' have been regarded as synonymous and used interchangeably. However, some studies in the field have suggested that these mechanisms are different. Sparrow and Cooper (2003) noted that a violation constitutes an emotional response whereas a breach is seen as a cognitive response. A breach is perceived as a challenge to an employees' schema while the perception of a violation provokes a more primitive response as well as a cognitive response. Morrison and Robinson (1997) state that there is a clear difference between a violation and what is considered a 'perceived breach'. The perceived breach is described as the reasoning that the organisation (manager) is not fulfilling its obligations as contained in the psychological contract in a manner that corresponds with one's contributions (Morrison and Robinson, 1997). Nonetheless, to gain understanding as to why these

mechanisms have an influence on how the employee perceives the psychological contract, this section explores the procedures subsequent to the employees' perception of a breach or violation.

In general, studies in the field tend to analyse and create theories and concepts to get a comprehensive understanding of how an individual will react to the perception of a breach and violation. To a large extent the desired outcome depends on the individual responding to perceived breach and violation with negative attitudes and behaviours, ego depletion etc. Examples of some of these concepts and theories analysed by existing studies include the study carried out by Schalk and Roe (2007) where they analysed and implemented the Self – Regulatory model which proposes that the employees' perception of the psychological contract is variable and constantly in comparison with a desired state of the psychological contract, and identified significant inconsistencies will require corrective measures. If the perceived inconsistencies are considered as overstepping these standards, the employees' alternatives for a 'corrective response' include (Schalk and Roe, 2007):

- Finding a balance in the variation between employees negative behaviour and the organisational behavioural variations
- Modifying and recreating of contractual terms
- Abandonment of the contract

The above exists irrespective of the flexibility of concepts within the contract such as 'region of acceptance and tolerance' (Rousseau, 1995; Schalk and Roe, 2007), also referred to as 'zone of indifference' (Simon and Barnard, 1976). These concepts suggests that employees can develop and exhibit tolerance if there are deviations from the expectations of the

psychological contract this in turn has an effect on whether an employee can differentiate a perceived violation from a breach thereby resulting in a variety of responses from the employee (Rousseau, 1995; Schalk and Roe, 2007).

Using control theory, Turnley and Feldman (1999) identified four possible responses by employees in response to violation. Their work suggested that when discrepancies exist and employees perceive a violation, the response is usually to remove or lessen such discrepancies. By applying the EVLN framework (exit, voice, loyalty /silence and neglect), Hirschman (1970) propose that the employees' response to the discrepancies be detailed as:

- **resign from the organisation (*Exit*)** – wilful ending of the employment relationship
- **engagement with the organisation (*Increase voice*)** – taking part in effective voice – voice dialogue with superiors
- **reduce engagement with organisation (*Decrease loyalty/silence*)** – indifference due to an absence of effective communication channels
- **increase disengagement behaviours (*Increase neglect*)** – non-committal, negligent, active destruction (Sparrow and Cooper, 2003)

However, according to the EVLN framework by Turnley and Feldman (1999) the factor of voice does not essentially induce negative responses or reaction to a breach or violation. Another response to an unpleasant organisational experience as identified by Naus *et al* (2007) is cynicism. Their study is in line with some existing studies such as works of Abraham (2000) who view cynicism as a way of defending one's self to help the employee adapt in the event of a poor organisational experience. In addition, Reichers *et al.* (1997) and Naus *et al.*

(2007) consider this response of cynicism as a significant response that can have intense effect on the employee and organisation. They therefore suggest that the response of cynicism be included in the framework. In examining the challenges and opportunities of the psychological contract Seeck and Parzefall (2008) suggests that by describing the attitudes and behaviour of the employees as inconsistent and regularly influenced by the employer's behaviour implies that there is lack of clarity about the influence the employee has over the psychological contract.

It is therefore argued that there may be wide discrepancies in employee inclinations towards the response to a breach and violation (Rousseau, 1995; Jafri, 2014). This response can be either positive or negative and active or passive (Morrison and Robinson, 1997). Employees may put in more effort in an attempt to reduce the effect of a breach or violation. Pete's (2006) study does not only show possible positive employee reactions when a violation is perceived but it also shows that the outcome of the employee – employer relationship may remain positive. In general, the findings indicate that the effects of a breach and violation are complex and long lasting than discussed in current theories (Parzefall and Coyle-Shapiro, 2011), this in turn can affect how the dynamic nature of the psychological contract is understood. Dynamism of the psychological contract is a complex area but in summary involves the process in which the employee and employer respond to and counter respond to an experience of contract breach or violation, and the degree and extent responses may be different for employees depending on the employment relationship (Hallier and James, 1997; Grunberg *et al.*, 2008).

3.5 Beliefs in the Study and Conceptual Framework

So far, this current chapter has argued that the emphasis placed on promise based belief in the formation of the psychological contract creates a narrow theoretical base for detailed understanding of what pre – Rousseau and post – Rousseau researchers intend to explore through the concept ‘psychological contract’. This argument has been carried out because as long as there is no consensus in concept of psychological contract, contemporary researchers will continue to propose theories such as the one discussed in this chapter as a means to justify the existing belief of what forms the perception of the psychological contract (Roehling, 2008). This chapter has presented evidence showing that when the perception of promising is developed in clear concepts, how the concept of promises have been utilised in psychological contract research implicitly is questionable in theory and not validated empirically.

In addition, it showed there can be relevant beliefs even with the absence of a promise based belief. It also shows that how an individual responds to an unfulfilled promise (whether promise based or not promise based) may be similar in theory. Due to this, at least for some employees, a concept of psychological contract solely based on promise will not include beliefs that will enable clear understanding of their psychological contracts. As such, this study adopts the concept of psychological contract which lays emphasis on obligations. Using this concept the study shall be able to focus on both beliefs, which are beliefs that represent a promise (obligations) and beliefs not based on a promise (formed from socio-cultural factors i.e., culture, values, religion etc.).

The current study has discussed the subject of the psychological contract and this study refers to psychological contract as employees' perceptions of personal obligations and employer's obligation in the reciprocal exchange employment relationship. The emphasis here is that obligations form the key belief in the formation of the contract and how the employee perceives the employers obligations is the main focus in response to the nature of the exchange contract. Further, it is acknowledged that management representatives, most likely are responsible for performing the organisations reciprocal obligations. The psychological contract will be explored and measured in accordance to relational – balanced – transactional contract typology as presented in Rousseau (2000). A theoretical approach has been the dominant approach to study the contract and analyse it. Earlier sections in the chapter have laid emphasis providing the foundational concepts of psychological contract in this study. As presented in the introduction of this chapter, the focus of this research is to explore the impact of an organisational experience (in the study: outsourcing) on the perception of the survivors' psychological contract.

Lastly, as discussed in section 3.2.3, there is a consensus between both pre – Rousseau and post – Rousseau researchers about the dynamic nature of the psychological contract, and that this changing nature is enacted through ongoing interactions (Herriot and Pemberton, 1996; Davidson, 2001). However, though existing studies (Robinson *et al.*, 1994; De Vos *et al.*, 2005) have shown the dynamism of the psychological contract, a dearth exists in both theory and practical study to explore this dynamism of the psychological contract (Rousseau, 2001; Bal *et al.*, 2013). Also, there is a shortage in longitudinal studies and its process and consequently there is still limited understanding of the dynamism of the psychological

contract, especially with regards to its effect on the employee (Sparrow, 1998; Conway and Briner, 2005). Having comprehensively discussed the psychological contract and its effect on the employee – employer relationship, this current study shall be tailored down to address the following research question:

1. What impact does outsourcing have on the psychological contract of employees who have survived the experience? (an employee perspective)

As indicated in Chapter 2, the dominant approach most significant to this current study is the Social Exchange Theory (SET) due to its focus on the Law of Reciprocity in how the employee relate and perceive organisational experiences. The theory is also of the view that in an employee - employer relationship, deeds (favourable or unfavourable) should be reciprocated. It has been extensively reviewed in this study that outsourcing has an impact on employees especially in their perception of and reaction to the process. The employees reaction based on psychological factors are developed and fuelled by what is believed to be a ‘promised’ existing contract. In utilising a framework centered on SET, the study will explore the effects of outsourcing on the psychological contract of survivor employees, its views by both employee and employer as perceived mutual obligations (promise) in the relationship. However, as the focus of the study is on survivor employees, more emphasis will be paid to the perception of employees to further understand how the process has affected their psychological contract i.e., how it may have been violated or have changed. Figure 3.1 shows the proposed framework of this current study. In the next chapter the study will describe and evaluate the methodology to be utilised in addressing the research question above.

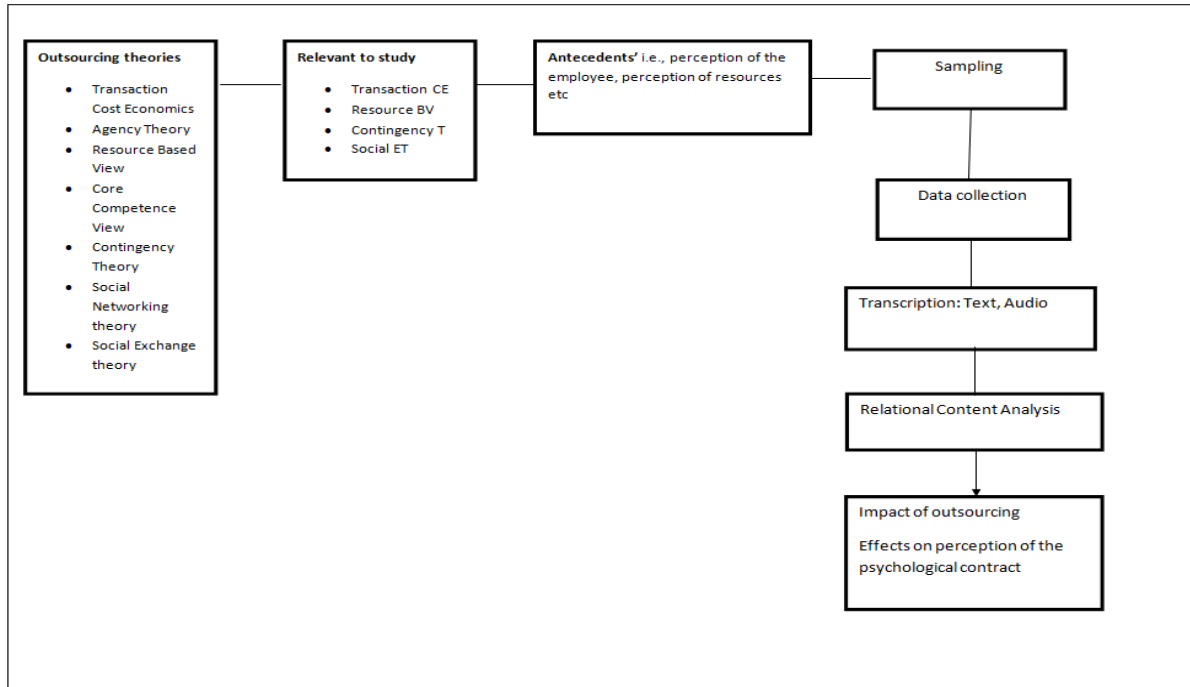


Figure 3.1: Research process.

3.6 Outsourcing and the Psychological Contract

According to Rousseau, (1995), the psychological contract refers to an individual's mental belief about his or her mutual contractual relationship. Although prior research has studied the employment psychological contract in relation to outsourcing such as Koh *et al.*, (2004) who applied the concept of psychological contract to explore mutual obligations that drive IT outsourcing success between organisations (customers) and service providers. According to Koh *et al.*, (2004), the psychological contract is bordered on three main principles: (i) The recognition of mutual obligations (i.e. beliefs about one's obligations based on perceived promises of a reciprocal exchange). (ii) Emphasis on psychological obligations (in a legal contract, written obligations can never be complete and must be supplemented by unwritten promises; however all contracts are psychological and subject to the individual's interpretation) (iii) Emphasis on individual level of analysis (individuals have psychological

contracts, organisations do not, however, managers are usually the face of the business that represents the organisation's perspective).

The findings from Koh *et al.*, (2004) showed that the underlying premise of an outsourcing success requires that customers and suppliers understand and fulfil their mutual obligations. The study also showed that psychological contract obligations explained a significant amount of the variance in perceived outsourcing success, thereby emphasising the relationship between the psychological contract and outsourcing. Morgan, (2009) also focused on outsourcing and the psychological contract of employees transferred to the service provider. The study explores how the use of theories of organisational commitment helps to understand attachments and how transferred employees may respond to outsourcing. The study emphasises the importance of further research to help managers better understand the long-term implications of outsourcing and how it changes work dynamics.

As outsourcing evolves so does the relationships between the parties involved in the process, which in this study is – the employee - employer relationship. Understanding this relationship and its dynamic nature and resolving it has become particularly important. In outsourcing research there has been some consideration of relationship between employee and employer (Elmuti, 2003; Shi et al., 2005) with very limited studies have examined the relationship to gain in-depth understanding of how the process impacts on the psychological contract of survivor employees. However, there is still a dearth in literature that explores the impact of outsourcing of the psychological contract of employees who have survived the process but remain in the organisation. Outsourcing involves mutual obligations which are beyond mutual

expectations and based upon perceived promises of a reciprocal exchange. Failure to meet obligations is likely to lead to erosion of the trust and relationship between the employee and employer and likely to impact on employees' satisfaction. When either party in an outsourcing relationship, employee or employer, perceives that the other party has failed to adequately fulfil the obligations of psychological contract, a violation is triggered (Pavlou *et al.*, 2005). This can have a potentially destructive role in organisational relationships (Pavlou *et al.*, 2005).

Existing literature in organisational management has shown that psychological contract violation is "not the exception but a norm" (Robinson *et al.*, 1994; Koh *et al.*, 2004). Outsourcing is no exception to this finding. Koh *et al.*, (2004) found that majority of the respondents reported violations of their psychological contracts, although the study was on outsourcing success between project managers and suppliers. However, it is still unclear what impact being outsourced has on an individual's future relationship with their employers, and far more research is needed here. Koh *et al.* (2004) and Morgan (2009) also support that the majority of existing literature in that field has been focused on organisational analysis with limited research on the impact on survivor employees. This further supports the importance of exploring the perspectives of survivor employees to have a complete understanding of the perceived obligations and how this influences the psychological contract.

Sotiriou (2005) also argues that employees can have relatively independent notions of the organisation and there is a need to consider context and the various factors that influence the nature of the psychological contract. This current study is more focused on how survivor employees experience outsourcing and the impact it has on their psychological contract by

exploring the perspective of employees who remain with the organisation after the outsourcing, taking into consideration context and how socio cultural factors influence the contract. This seeks to reveal not just a better understanding of the employment relationship and work dynamics but also to provide management with an important perspective which has hitherto been limited in research.

3.7 Conclusion

This chapter presented a literature review on the concept of the psychological contract in order to examine and fully understand its role and operation in the employee – employer relationship. Also, the chapter shows that though there have been decades of carrying out sustained theoretical and empirical research on the concept of psychological contract, there is still limited study on the how the dynamic nature of the concept plays a significant role in employees' response to difficult organisational processes, this is a challenge to both researchers and organisations. In addition, the dearth of sufficient longitudinal study within the field has further contributed to the difficulty in addressing the challenge. The main purpose of this study is to explore the effects of outsourcing on the employees' perception of the psychological contract.

To provide a foundation for this study, the chapter explored three (3) main areas. Firstly a detailed discussion on the historical development of the concept of psychological contract with insights into the pre – Rousseau and post – Rousseau researchers' contributions to the concept of the contract is provided. Secondly, how the key concepts of psychological contract are applied in the current study was discussed; this was carried out by evaluating the existing

belief that a contract is based on a promise as well as identifying a wider set of beliefs influencing the contract. Thirdly, areas related to the formation of the contract and dynamism of contract was discussed so as to identify areas of areas for future research. The chapter also presents supporting mechanisms relevant to the current study. In the next chapter the study will describe and evaluate the methodology to be utilised in addressing the research question above.

CHAPTER 4

METHODOLOGY

4.1 Introduction

As discussed in Chapter 3, this study focuses on exploring how employees that have survived an outsourcing experience perceive their psychological contract. It seeks to give voice to the employees' perception of the outsourcing in terms of its effect on their psychological contract. In order to achieve this, an interpretivist philosophy is adopted. The study uses an inductive approach with a qualitative methodological choice to explore how the employees feel. The study further uses case study strategy and in depth interviews to gather relevant data to meet the aims and objectives and answer the research questions of the study.

The chapter begins by looking into the rationale with an overview of the research objectives and questions. Following this, the chapter develops a research philosophy which is used in deciding the research approach. Next the chapter discusses the research strategy and design used in the study; including the time horizon, participant selection and ethical considerations. The chapter also, discusses the criteria used for data validation, the data collection method and data analysis. Finally, the chapter gives a summary highlighting the main points that shall serve as a guide in subsequent chapters.

4.2 Rationale

This study aims to better understand how employees perceive the outsourcing process by exploring its effect on their psychological contract. The rationale for the methodology is designed to meet the objectives and answer the research question. The research question addressed in this study is identified as follows:

- What impact does outsourcing have on the psychological contract of employees who have survived the experience? (an employee perspective).

The research objectives identified in this study are:

- To conduct an empirical study to explore the relationship between outsourcing and the psychological contract.
- To investigate the extent to which socio-cultural factors impact the employee as an individual and hence his/her perception of the psychological contract.
- To explore the relationship between employees' perception of outsourcing and employee outcome:
 - To explore whether employee's expectation from the organisation changed.
 - To explore how employees perceive outsourcing may have impacted on their behaviour and attitude to the organisation.
- To critically evaluate the effects of outsourcing on the employees' perception of the psychological contract.
- To provide recommendations to practitioners that offers a range of insights on effective management of the employment relationship.

4.3 Research philosophy

According to Rubin and Rubin (2005), research philosophy is a comprehensive concept that captures how meaning is given to the social world and how it is therefore researched. It directly impacts how research is conducted. Traditionally research in business and management has absorbed a range of philosophies from natural sciences, social sciences and arts and humanities. The two major ways of examining the research philosophy are: ontology and epistemology (Burrell and Morgan, 1979). According to Holden and Lynch (2004), ontology is concerned with the study of beings and it deals with nature of reality while epistemology considers what is accepted as knowledge in research (how do we know what we know). These philosophies draws upon a study on 'Sociological Paradigms and Organisational Analysis' (Burrell and Morgan, 1979), based on four paradigms - pragmatism, positivism, realism and interpretivism.

The effects of outsourcing from the employee's perspective i.e., considering the psychological contract draws upon a number of disciplines such as organisational management, organisational psychology and human resource management. Most of the studies in these disciplines have been dominated by the positivist paradigm that has emerged through the influence of the epistemological and ontological assumptions of natural science. With in-depth focus on cause-effect relationships, statistical tests, and predominantly linear thinking, they seek to discover facts and construct hypotheses and theories. However, this approach is mainly criticised for its inability to address the complexity of social phenomena, as the behaviour of all individuals is directed by personal motivations and therefore the social world is perceived differently according to the individual's own understanding and presumptions.

Individuals therefore give meanings to things based on the context they operate and what they perceive and act in line with their intentions (Sotiriou 2005).

From the research question, the current study seeks to derive themes that give insight into the employees' and employers' experiences of the outsourcing process and how they understand and act upon it. As individuals, employees are social beings and by definition they always interact with one another. In addition, this study is of the view that the social world is far too complex to lend itself to law-like generalisations. These assumptions move the study towards interpretivism. As this study is centered on the human perspective to an organisational experience, interpretivism supports the integration of human interest in the study. This approach is chosen for the study because it will allow the study to appreciate the differences between individuals and their relationships with their employers. Importantly, interpretivism is most suitable for a study focusing on meaning and a way to reflect different aspects of an issue. The approach is further supported by the proposed data collection method; in depth interviews.

4.4 Research Approach

As discussed in section 2.4, the outsourcing social exchange theory (SET) addresses social exchange attributes and psychological perspectives on shared and individual levels of analysis, and focuses on the activities and the all-inclusive circumstances in which outsourcing takes place. Sajuyigbe *et al* (2014) noted that SET is sensitive to the socio-cultural organisational context in which shared and individual opinions are developed. Hence, in this context the employee is socially formed through a process of interaction and with time these interactions can be absorbed and form relationship patterns. These patterns show how

different values contribute to the formation of reciprocal role patterns which is displayed in how employees relate to the organisation. However, the relation between the employee and the experience with the organisation can be difficult to interpret and understand. To better understand the nature of the employee's relationship with the organisation, an inductive approach is required.

This study embraces an inductive approach to understand the perspective of employees based on their lived experience of the outsourcing process and the meanings they give to their experiences in relation to their perceived psychological contract. In support of this, according to Schuermans (2013), inductive approach is most appropriate when the emphasis is on people's lived experience. Maxwell (2012) further supports that the inductive approach aims to uncover deep meaning and understanding of the lived experience rather than an external depiction of a large population sample. Also the study is not aimed at proving any set of hypothesis or demonstrating any theoretical assumption but rather on exploring the perception of employees and the research question for this study emerged from the literature. This study therefore considers the inductive approach to be appropriate in exploring how employees' share their experience of the outsourcing and how it may impact on their perception of the psychological contract.

The meaning employees give to the experience of the outsourcing process may not be understood in rational terms alone. This suggests the use of an inductive qualitative approach that does not only allow exploring past events and giving meaning to current experiences but also allows for interactions. To explore the perceptions of employees' and employers that have experienced the outsourcing process, an inductive qualitative approach method is

adopted to address the research questions. A distinguishing characteristic of qualitative approach is the centrality of the interaction between the researcher and the object of research (Corbin *et al.*, 2014). Through interaction, the researcher and participants can discuss findings, give interpretations and deeper meaning can be understood.

A defining characteristic of inductive qualitative approach is that it allows an interpretative perspective that supports its use in this study and can be applied within an organisation's regular setting. Another characteristic is that data collected are generated from individual's perception of the particular experience. This suggests that the approach allows for the 'voice' of the individual to be heard. According to Rubin and Rubin (2011), knowledge of these experiences is generated and interpreted based on how different perceptions from various accounts of an event presented by each individual participant is combined and then synthesized to offer one description of the phenomena being researched.

4.5 Research Strategy and Design

Research design is defined as "a structure of the plan for a study, which is used as a guide to collect and analyse data which guides a study to ensure that it is relevant to the problem" (Iacobucci and Churchill, 2010). In addition, the research design should also explain the research objectives (McDaniel and Gates, 2007). The research objective of this study as mentioned in section 4.2 focuses on outsourcing and how it impacts on the employees' perspective of the psychological contract. In order to achieve this objective, the study adopted a qualitative approach using data from in-depth interviews and newsletters from two case study organisations in the real estate service sector in the United Kingdom (UK).

Using case study organisations provides an opportunity to look intensively at an individual or a specific situation. It can be intrinsic (focusing on understanding that specific case), instrumental (focusing on understanding the issue in a broader way) or collective (comparing multiple cases) (Maxwell, 2012). Also, case studies help the researcher to gather authentic and more reliable data whilst taking into account its practical implications in the industry (Yin, 2013). The case study for this research was selected based on the fact that the organisations have recently undergone outsourcing. Though the selection of the case study organisations was influenced by the researcher's employment history with the real estate service sector, the researcher experienced some challenges in gaining access to organisations in the real estate sector which in turn determined the sampling technique.

4.6 An Overview of Case Study Organisations

The case study adopted in this study was carried out on two real estate agencies in the Greater London area. The real estate sector encompasses the many facets of property, including development, appraisal, marketing, selling, leasing, and management of commercial, industrial, residential, and agricultural properties. This sector can fluctuate depending on the national and local economies, although it remains somewhat consistent due to the fact that people always need homes and businesses always need office space (Cerutti *et. al.*, 2017). Professions within the real estate sector include: brokerage (insurance and mortgage), negotiators (sales and lettings), appraisers (valuations), HR, construction, finance, admin, IT, property management. In addition, support staff, office managers, real estate attorneys, loan officers, and others are essential players in every real estate sector. This sector is essentially a service business. There is no product to manufacture, assemble, or sell. The current or prospective owner of a property employs or contracts professionals to perform various

functions, including real estate sales, management, development, leasing, and appraising, mortgaging, renovations, renting and letting. The types of properties handled by real estate professionals include houses, apartments, farms, vacant land, office buildings, stores, shopping centers, warehouses, factories, and other industrial properties. The statistics portal⁸ reports that there are a total 569,000 real estate workers in the UK (this includes all real estate professions).

Organisation 1 is a small-medium size real estate company, founded in 2006, with branch offices covering Croydon area. The organisation specialises in providing real estate services and development, and employs around sixty (60) employees across all its four (4) branch offices. Each branch office has at least a unit performing functions such as: property management, IT and administration, human resource, brokerage (mortgage and insurance), marketing (lettings and sales), valuation, building and construction, asset management, operating management etc. In recent years the organisation has made changes to its organisational structure leading to the streamlining of its functions and some departments having to undergo an outsourcing process. A process perceived by employees and described in subsequent sections as either favourable or mostly unfavourable. However, as noted in most studies on outsourcing, it is a common belief that it generally improves organisational effectiveness or may have a severe impact on organised labour force and deterioration of morale among employees (Drezner, 2004; Charara, 2004; Elmuti *et al.*, 2010; Manzoor, 2012; Rajee *et al.*, 2013).

⁸Statista, 2018

Managers indicated that a consideration of the organisation's functions and the potentials associated with outsourcing led to the decision to outsource some of the organisation's activities. The organisation's decision to outsource was influenced by the changes in the sector. The shift towards a faster paced digital world where people are able to browse property sites early in the morning, request to speak to someone immediately and require a viewing within hours have driven businesses to struggle to keep pace with competitors.

The outsourcing process was carried out over a period of six (6) months from May 2015 - November 2015 in the following departments: property management, IT and admin, brokerage, marketing and valuation. Three (3) departments had some of their functions outsourced in the first three (3) months (May - August) of the process, a break from the process was given in September and the process resumed for the last two (2) departments October - November. The supervisors and managers were made aware of the outsourcing decision and the functions to be outsourced. The HR department then informed the employees whose jobs were most affected in terms of job loss, informing them about the implications for their jobs and the time frame which was within a month. Other employees whose employment was retained were not invited to meetings. The affected departments then had the responsibility of informing the employees of their new roles. In organisation 1 a total of twelve (12) employees participated in the study as shown in Table 4.1.

TABLE 4.1: PROFILE OF EMPLOYEES' WHO EXPERIENCED THE OUTSOURCING IN ORGANISATION 1

ORGANISATION 1 SMALL MEDIUM SIZE WITH 60 EMPLOYEES DEPARTMENTS WITH OUTSOURCED ACTIVITIES		
DEPARTMENTS	EMPLOYEES POSITION	NO OF EMPLOYEES IN STUDY (n = 12)
Property Management	Manager	1
	Supervisor	1
	Maintenance	1
IT and Administration	Admin	1
	Database Administrator	1
Brokerage	Appointed Representative	1
Marketing	Sales Manager	1
	Lettings and Sales Agents	3
Valuation	Property Valuer	2

The outsourcing process is shown to have had an effect on the organisational structure allowing for streamlining of functions and in turn loss of jobs for some employees. Even though the outsourcing process was carried out in two parts (the first three months and the next three months), the job loss was within the second phase. Since the process was carried out across all four (4) branch offices the total number of employees who lost their jobs was not made available to all employees. However, from the branch in which the current research was undertaken the number of employees who lost their jobs were four (4) while the functions streamlined/merged with other departments were eight (8). Although the outsourcing process

seemed to have been carried out in a structured way, a majority of the employees (especially junior level employees) indicated not having adequate information, such as, the implications of the decision on their job roles, what the process involved, any support system if they had questions or the opportunity to make any input and the effect on their job structure or future career paths. Figure 4.1 and Figure 4.2 shows the difference in the organisational structure for organisation 1 pre and post the outsourcing process.

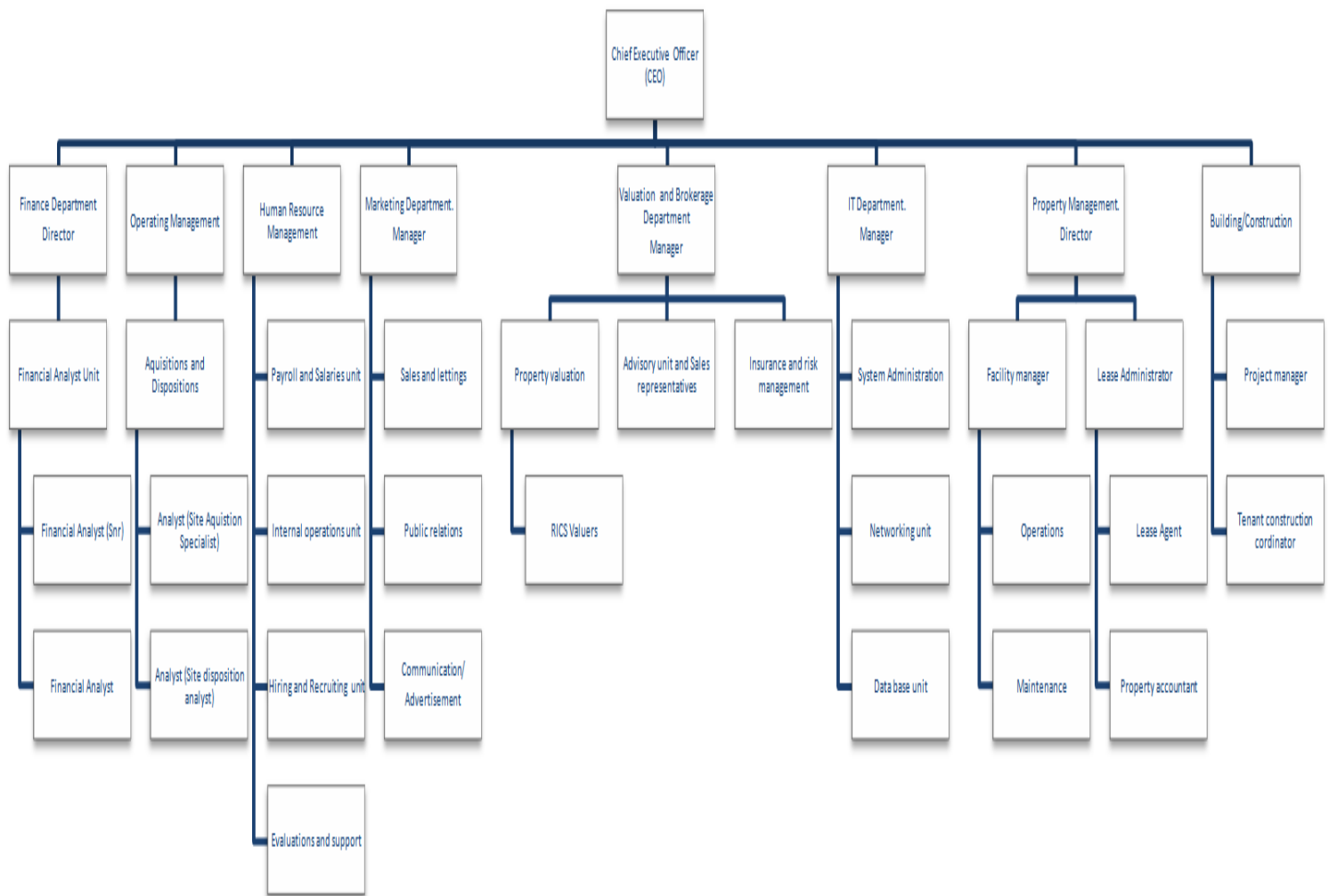


Figure 4.1: Organisational Structure, organisation 1: Pre - outsourcing

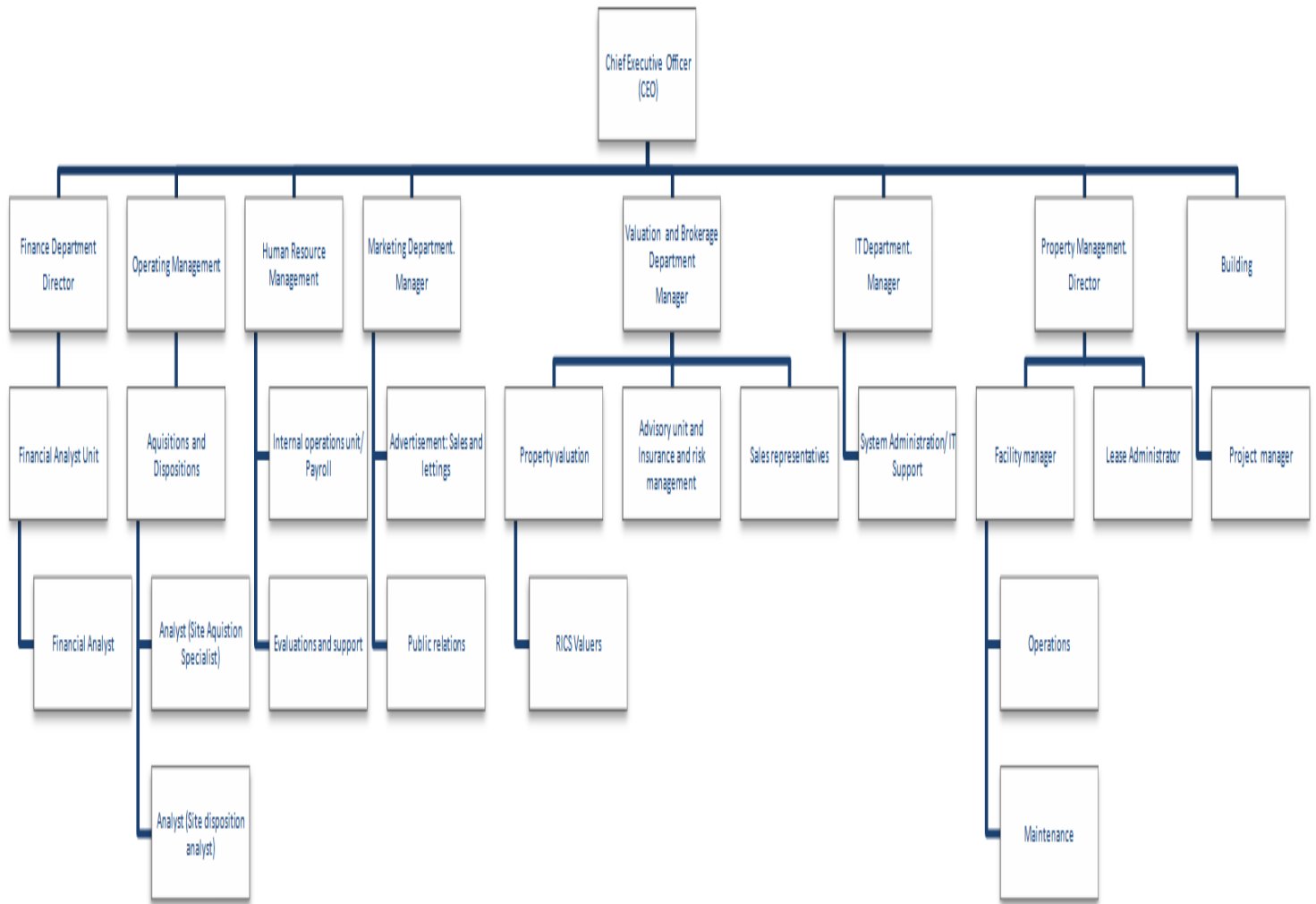


Figure 4.2: Organisational Structure, organisation 1: Post – outsourcing

Organisation 2 is a medium size real estate company founded in 2000. The organisation focuses on property management for the commercial and residential sectors of the Sutton, Croydon and Bromley areas. The organisation employs about 80 people in various departments i.e., Property management, acquisition, commercial lease administration, IT administration, business development, brokerage (mortgage and insurance), marketing (sales and lettings) and valuation across all its five (5) branch offices. In recent years the organisation has carried out several outsourcing processes in response to the lacklustre

macroeconomic conditions and a continuing shortage of property sales transactions throughout the UK and Greater London. The outsourcing of several functions in property management, IT management, marketing, brokerage and valuation indicates outsourcing was used as a strategic tool to organize the core business and the support functions of the organisation. The outsourcing process lasted for a period of four (4) months from August 2015 - December 2015. Three (3) departments first had some of their functions outsourced in the first two months (August - October) of the process and the last two (2) departments had some of their functions outsourced during the last two (2) months.

The organisation's decision to outsource was communicated to the employees in a formal meeting two weeks prior to the commencement of the outsourcing. Employees who were to lose their employment were further invited to private meetings individually to discuss how they were to be affected during the outsourcing process. These employees lost their employment within the first part (within the first two months) of the outsourcing. There were no further meetings for employees who remained in the organisation and new or additional functions were explained by supervisors. The strategic use of outsourcing indicates some level of planning; however, the process was sudden and not effectively communicated to the employees involved, and this was indicated by employees during the interview and is described in detail in subsequent sections. In organisation 2, a total of eighteen (18) employees who experienced the outsourcing process participated in the study as shown in Table 4.2.

TABLE 4.2: PROFILE OF EMPLOYEES' WHO EXPERIENCED THE OUTSOURCING IN ORGANISATION 2

ORGANISATION 2 MEDIUM SIZE WITH 80 EMPLOYEES DEPARTMENTS WITH OUTSOURCED ACTIVITIES		
DEPARTMENTS	EMPLOYEES POSITION	NO OF EMPLOYEES IN STUDY (n = 18)
Property Management	Operations – supervisor	1
	Maintenance	2
IT Management	Manager	1
	System Administration Line Manager	1
	IT Support	2
Brokerage	Financial Adviser	1
	Appointed Representatives	2
Marketing	Manager	1
	Sales and Lettings Agents	3
Valuation	Sales Negotiator	3
	RICS Valuer	1

Similarly, in organisation 2 the total number of employees who either lost their jobs or had their functions streamlined was not made public to all employees. However, from the branch in which this study carried out its interview, a total of six (6) employees lost their jobs. Figure 4.3 and Figure 4.4 shows the difference in the organisational structure for organisation 2 pre and post the outsourcing process.

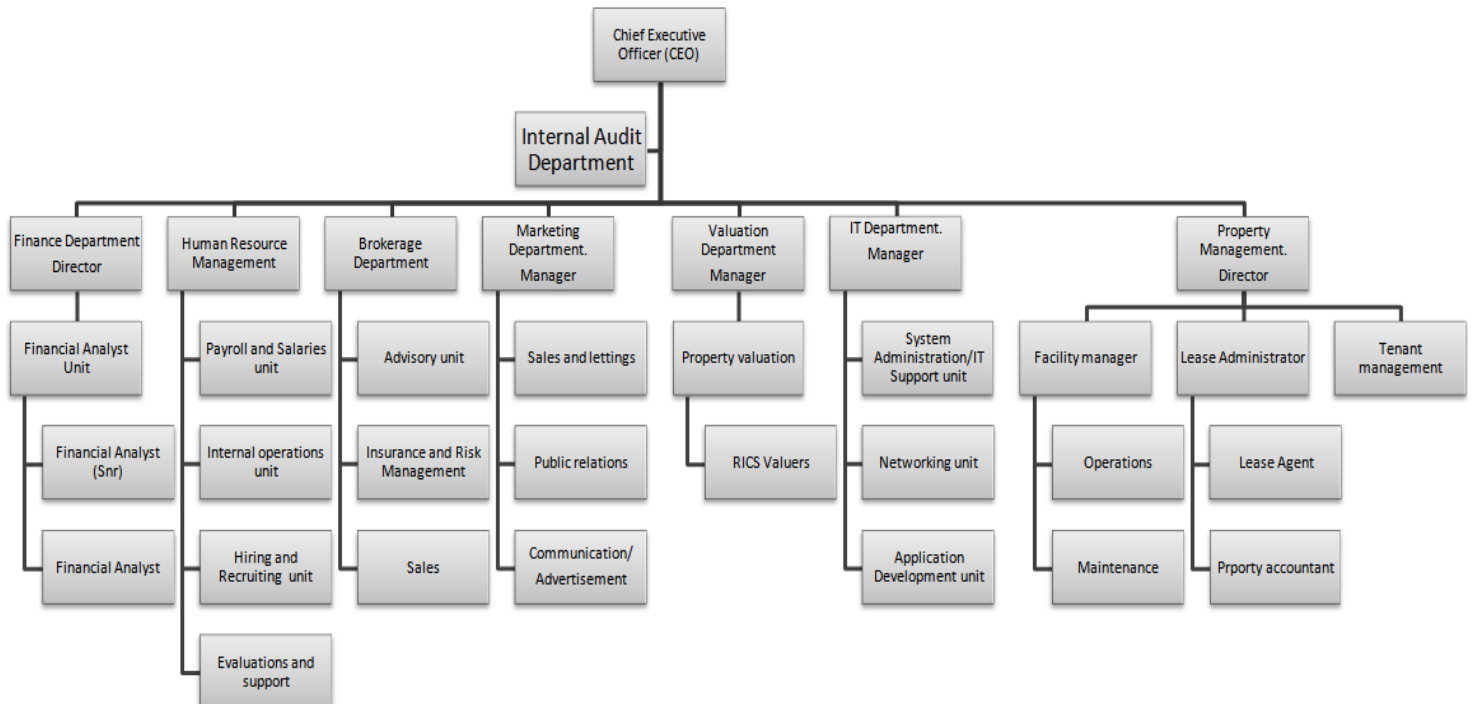


Figure 4.3: Organisational Structure, organisation 2: Pre – outsourcing

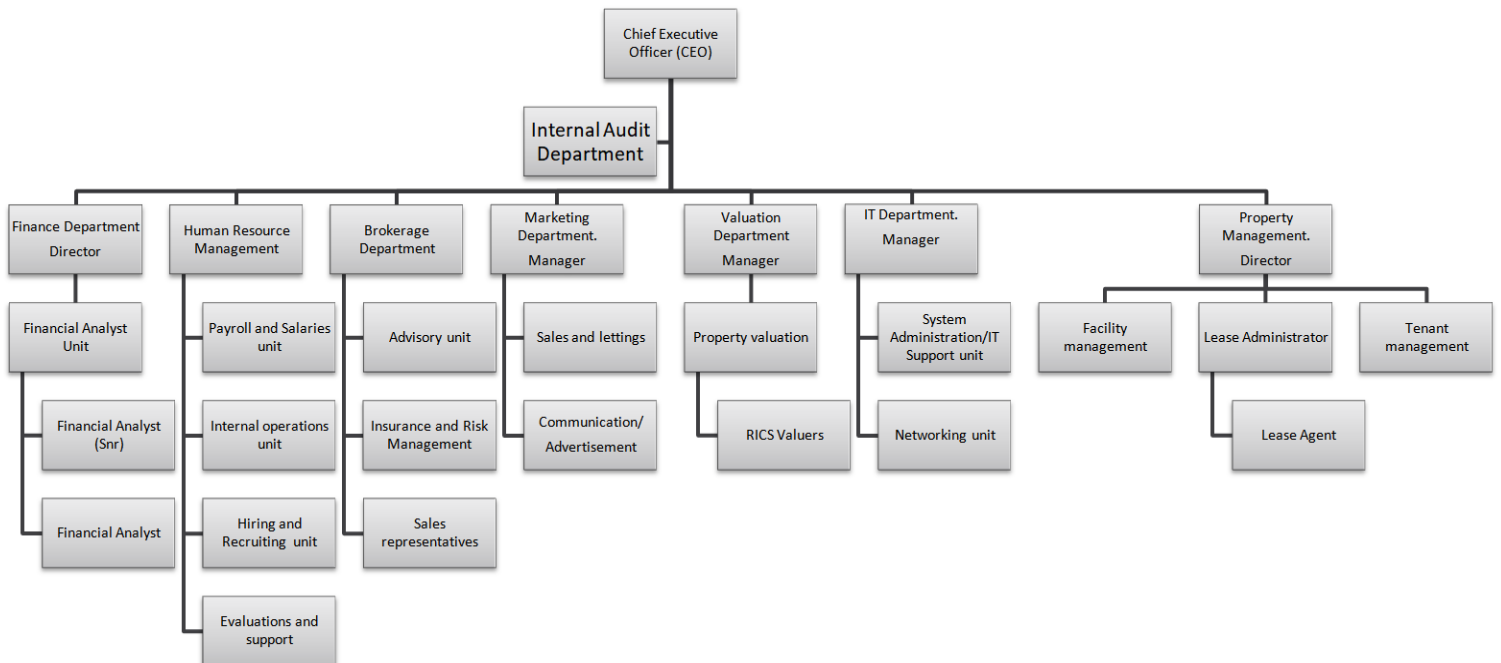


Figure 4.4: Organisational Structure organisation 2: Post – outsourcing

4.7 Time Horizon

According to Saunders *et al.* (2007), time horizons are not dependent on the research strategy. Time horizon can be classified into cross-sectional and longitudinal. Longitudinal time horizon is adopted when a change or development that occurs over a period of time is to be studied. Cross-sectional time horizon, on the other hand is adopted when a certain phenomenon is studied at a particular point in time. This current study explores the effect of outsourcing on employees in term of the psychological contract. It aimed to explore this effect at the present time hence a cross-sectional study is adopted. De Vaus (2013) noted that surveys are often used for cross-sectional time horizon. However, Saunders (2011) mentions that qualitative methods may also use cross-sectional studies, for example, studies based on interviews conducted over a short period of time.

This study was carried out on a cross sectional horizon to explore the effects of outsourcing on the psychological contract of survivor employees. The empirical study lasted approximately a year. Due to the major challenges the researcher encountered in gaining access to case study organisation within the real estate service sector, the researcher spent over six (6) months contacting different organisations within the industry to gain access with little or no success. A total of thirty (30) interviews were conducted across two organisations in the real estate sector with each interview lasting approximately fifty (50) minutes. The actual data collection process was over a period of two (2) months as the researcher had to work at the convenience of the participants. The participants consisted of employees who had survived the outsourcing process and employers such as managers. The researcher did not have the opportunity to carry out follow-ups due to access challenges again as the organisations did not permit access. However, the researcher was able to cover all relevant areas necessary in addressing the

research aims and objectives and sufficient data was collected to answer the research questions. The data transcription and analysis took approximately four (4) months.

4.8 Selection of Participants

In qualitative research the sampling technique employed is crucial to the overall sampling strategy (Patton, 2005; Bryman and Bell, 2011). Qualitative research uses non-probability sampling for selecting the population for the study. Non-probability sampling does not seek to produce a statistical representation of the sample or draw statistical inference; indeed, a phenomenon needs to occur only once in the sample (Patton, 2005; Bryman and Bell, 2011). This feature makes this type of sampling suited to small scale, in-depth study. Non-probability sampling uses purposive sampling as its main sampling technique. According to Creswell and Plano (2011), purposive sampling allows the researchers identify and choose participants or groups of participants that are particularly knowledgeable on or have experience with the subject of interest. Very often, sample units are chosen in an attempt to ensure that the final sample consists of variety so that members of the sample have particular features which enables the themes and puzzles relevant to the research study (such as behaviour, roles, experiences etc) to be better understood and explored in detail; this is known as judgement sampling (Marshall *et al.* 2013). There are different approaches to purposive sampling such as: deviant case sampling, typical case sampling, criterion sampling, snowball sampling, opportunistic sampling, stratified purposive sampling etc.

The current study uses the snowball sampling technique due to the difficulty encountered in accessing research participants in the intended sample population. The aim to use employees in the United Kingdom (UK) estate agent organisations was met with difficulty in accessing

the employees. Members of management were particularly difficult to meet because they are often very busy and occupied with their primary duties at work. Also, other employees (which for this study were divided into field employee and on desk employee) were difficult to meet. For the field employees, it was difficult to access them due to them being on the field for property management, site viewing, sales etc. while for the employees on desk they were often extremely burdened with work, having to do twice as much work as some of their colleagues were on the field.

At the start of the study several letters and emails were sent to the human resource (HR) directors of seventeen (17) different estate organisations in UK asking for permission to carry out an interview on employees who have been in the organisation for a minimum of two (2) years, but in sixteen (16) cases they refused without explaining the reason why. Only one estate agent organisation answered positively, and the HR director agreed to an interview (to ensure business confidentiality the name of the organisation shall be referred to as organisation A). Due to this difficulty in accessing employees, snowball sampling technique was employed to generate the sample size.

On the first contact with the HR director in organisation A, the snowball effect began. The HR director recommended two (2) of his colleagues (a senior manager and a sales manager) from organisation A. The senior manager recommended three (3) of her junior colleagues from organisation A (who were recent outsourcing survivors), the sales manager recommended one (1) colleague from organisation A. All three (3) junior colleagues recommended one (1) colleague each from organisation A. While the sales manager's colleague recommended two (2) colleagues - one (1) from organisation A and the other a

senior HR manager from another estate agent organisation, whose department had just recently undergone an outsourcing process. The second estate agent organisation shall be called organisation B. The snowball technique went ahead to add one more sample from organisation A while organisation B spiralled into a large snowball. The final sample size for using snowball technique was thirty (30). Figure 3.2 shows the sample gathered and links using the snowball technique.

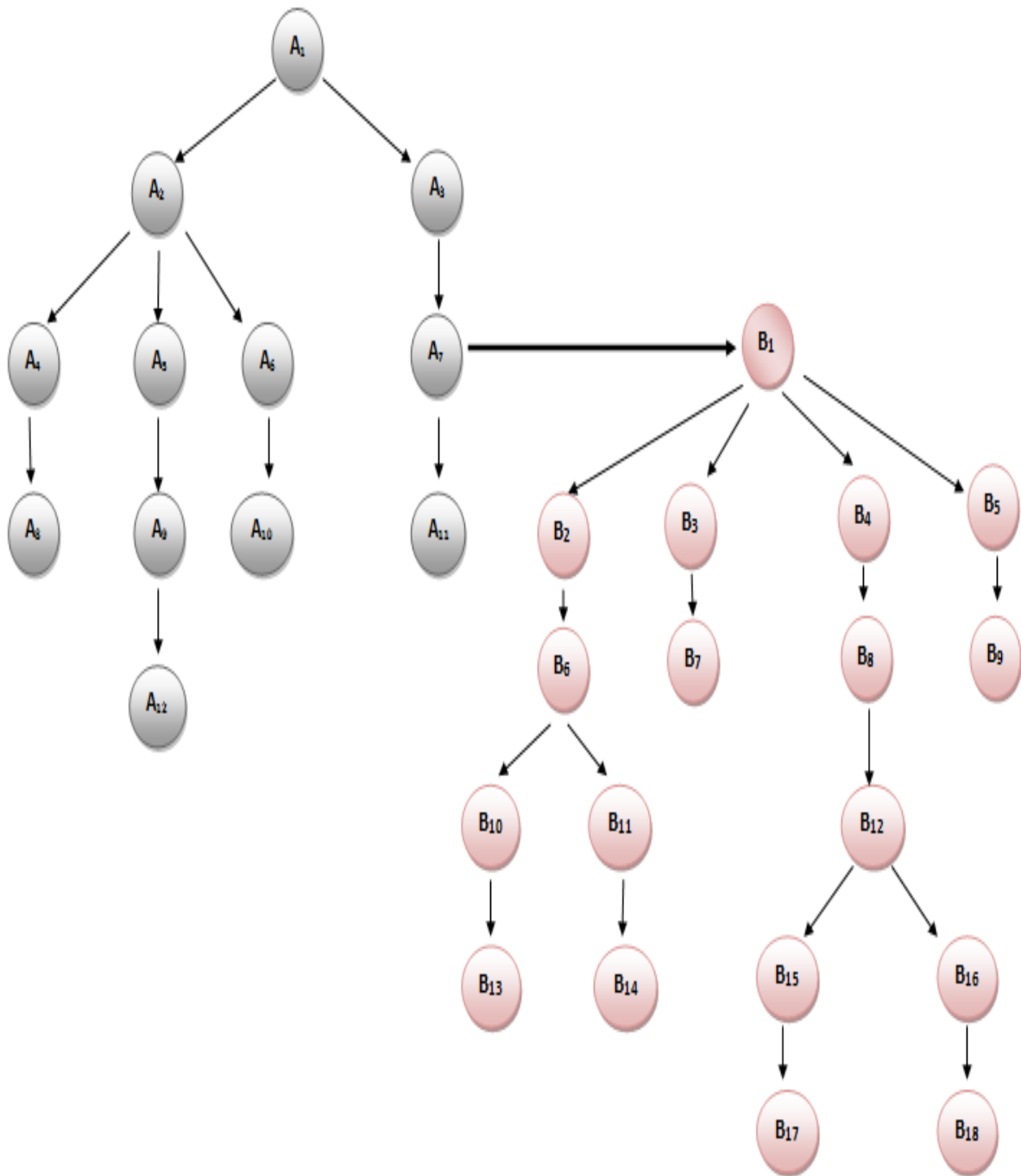


Figure 4.5: Snowball technique showing sample size and links

With the snowball technique it was possible to reach the hard-to-reach estate agents. It also facilitated relevant contacts for the study. The technique improved efficiency (i.e., in terms of cost, time and relevance of sample members) of the interview process. The snowballing technique is indispensable in the current study because without further recommendations it would have been a difficult challenge accessing participants. As shown in figure 3.2 the outcome of the snowball technique with organisation A provided a second source of reliable data in the estate agent sector. Due to this recommendation a total sample size of thirty (30) participants was achieved.

Using snowball technique was not without challenges. First was the issue of finding an initial contact to agree to a meeting and interview. Secondly, it was initially difficult to build trust with the participants who hesitated to share required information due to fear of passing the information to management. This was also evident in the participant's tone and body language. Establishing trust with the participants was essential to the study; this however was achieved by the researcher discussing the main purpose of the study in detail before the main interview. It was paramount to explain to the participants that the information given would be confidential in the study. Thirdly, the quality of data from the snowball sample maybe less valuable. This could be as a result of initial participants discussing the research topic with future participants and in this way influencing their answers. This could make data received less accurate (Noy, 2008). To address this, participants were kindly asked not to discuss interview topics with colleagues. Emphasis on this contributed in making the data trustworthy.

4.9 Method of Data Collection

The main method used for data collection in this study was in-depth interview. Some newsletters from the organisations also provided some relevant data, however, the adoption of in-depth interview allowed for a better exploration of the feelings and perspectives of the participants.

4.9.1 In-depth Interview

Lofland and Lofland (1995) describe in-depth interview as a form of intensive conversation. Ozge (2015) defines in-depth interview as a 'conversation with a purpose' and as such can imitate essential knowledge about the social world in everyday human interaction though the objectives and the roles assumed by its participants differ from that of the everyday conversation (Maccoby and Maccoby, 1954; Rubin and Rubin, 2005). In other words, in-depth interview will appear natural, but it differs from the regular day to day conversation as it is purposive and aimed at meeting set objectives. How successful an interview is, to a large extent, is dependent on the qualities of the research both personally and professionally.

As discussed in the previous section, in-depth interview is employed in the current study to encourage employee share their experiences and while doing so knowledge can be jointly created between interviewer and interviewee. Kvale (1996) termed the process the 'traveller's metaphor' because the interviewer is seen as a traveller who journeys with the interviewee. Through conversation the interviewee tells about his/her experience, and through conversation in its original Latin meaning 'wandering together with', the interviewer gives meaning to them and leads the subject to new insights: there is a transformative element to the journey

(Kvale, 1996; Jenkins *et al.*, 2010). This current study uses the following terms interchangeably: interviewer and researcher, and interviewee and participant.

The purpose of the in-depth interview carried out in the current study was to encourage the interviewees to share their experience prior awareness of the outsourcing process (if they were aware) and after the process. Hence the experiences of the interviewee was not played down by judging him/her neither did the researcher assume a self-defensive position if judged by the interviewee as the researcher was aware that it was crucial to be conscious of all these dynamics that can exist during the interview process and to avoid collusion. In respect to the employee - employer relationship, it was argued that the relationship is mutually created as each individual brings to the organisation their own experiences, beliefs and perceptions and looks for others to respond in certain, expected or desired ways. How others respond either proves or disproves the individual's expectations and in turn determines what is internalised. Experiences of an employee can affect the psychological contract either positively or negatively. The extent to which it affects psychological contract was explored in detail through the in-depth interview.

By studying existing literature (Seidman, 2013; Cohen *et al.*, 2013) the current study is of view that interviewees may be reluctant to discuss sensitive issues or share their experiences with the interviewer and may provide answers that are basic and vague. The study addressed this challenge by interacting with the interviewee using semi structured open ended in-depth questioning technique as well as encourage him/her to describe an experience related to the topic and share whatever is on their mind, This formed the primary data collection method. In addition, secondary data in form of company documents, literature as well as information that

was retrieved from the organisations' website and analysed in order to fully meet the research objectives. Secondary data were also analysed using key themes and sub themes as data collected during the interviews. Key characteristics of in-depth interview adhered to in this study were:

- a. Structure and flexibility** – The study used an *aide-mémoire* as a brief set of prompts to deal with a range of topics. This ensured that responses were fully probed and explored and also allowed the interviewer to be responsive to relevant issues raised spontaneously by the interviewee. For example, “You mentioned obligations, what sort of obligations do you feel the company has to you?” Flexibility during the interview process allowed the interviewer note how interviewees framed responses and understood issues and events. During the course of the interview the shape of the questions often changed as the responses steered the interaction into a potentially unplanned for direction, and as the relationship between interviewer - interviewee evolved.
- b. Interactivity** – To successfully generate data interaction in necessary. During the interview the interviewer asked questions in such a way that encouraged the interviewee to talk freely when answering the question. The next interference by the interviewer was usually determined by the participant's answer. For example, “I noticed you’ve been emphasizing on the viewings aspect that was outsourced; why is that?” This allowed the researcher to tease out responses from the participants while encouraging the participants to voice their feelings easily.
- c. Penetration, Exploration and Explanation** – Since the initial response given by the interviewees was often on a surface level, the interviewer used follow up questions to

obtain deeper and fuller understanding of the participant's meaning. For example "That is fine, thank you. And would you say that the outsourcing decision has influenced or affected your expectations from the organisation?" This allowed for further explanations from the participants to better understand their perspective. According to (King and Horrocks, 2010) in-depth questioning permits the researcher to explore fully all the factors that underpin participants' answers: reasons, feelings, opinions and beliefs.

- d. Knowledge generation** – Following that knowledge construction is crucial to the current study. The research question enabled new knowledge to be generated during the process i.e., the role religion played in the employees' psychological contract.

Ensuring that in-depth interview in the current study had these key characteristics enabled the process to be flexible, interactive and knowledge generative.

4.9.2 The In-depth Interview Process (Current Study)

The interview began with introduction between the interviewer and interviewee and getting the interviewee relaxed in a suitable environment (quiet, private and comfortable for the interview to proceed without distraction). An introductory letter as shown in appendix A was given to each interviewee. This letter introduced the researcher and the research objectives. Next, to direct the interaction the interviewee is introduced to the research topic. The interview session involved interviewing each participant for approximately 50 minutes. Permission was also sought from the participants to tape record the interviews in order to capture the opinions of the employees, which will be useful for later data analysis. The process involved providing a clear reiteration of the nature and purpose of the study,

reaffirming confidentiality, and seeking permission to record the interview (see Appendix B). The interviewer then reaffirmed the participants' willingness to continue with the research interview. In addition to the tape recorder, handwritten notes were taken to ensure effectiveness of the data collection process.

In an informal way the interviewee asked for some background information that emphasized the purpose of the interview thus helping the participant make sense of what the research is about. This informal way involved applying some content ground mapping techniques to ask about the interviewee experience in a way that opened up issues relevant to their organisational experience. Such questions include:

“Tell me about your job including the work that you do...”

“What were your hopes when you joined the organisation?”

,

Asking such questions encouraged openness and allowed interviewees raise issues about their work that are relevant to them. Follow up questions were then asked to get the interviewees pay closer attention to a particular topic such as:

“What is your opinion about the management of the organisation?”

“Personally, how do you feel about the recent changes in your organisation?”

The next type of questioning implemented by the interviewer was used to encourage the interviewee view the organisational experience from a different perspective, such as;

“Are there any other factors that would influence your opinion on management?”

“What would you say were your expectations? How could it have been different?”

Next the researcher guided the participant through the interview themes which are in line with the nature of the study. Sharing the nature of the study helped build trust with the participant. Trust is a crucial factor in conducting in-depth interviews because it encourages openness and helps to reduce any suspicions about the nature of the interview. With trust built each theme was then explored in depth with a series of follow-up questions and probes. At this stage, the participants seemed to be working at a deeper, more focused level than initial discovering ideas, thoughts and feelings that may be dormant in daily life. Towards the end of the interview the researcher signalled the approach of the end of the interview using phrases like ‘finally...’ At the end of the interview participants were appreciated and reassured of confidentiality.

4.10 Data Handling/Management

Before data can be conceived as valuable, it is important that it is processed and analysed, necessitating data-categorisation (Saunders *et al.*, 2012). With this in mind, Mack, (2005) suggests that, data gathered through the conduction of interviews should be transcribed and subsequently coded in consideration to the emergent themes. Data analysis in this study was carried out using qualitative content analysis. The application of content analysis to the descriptive and factual elements of the interviews was seen as the most attractive approach to address the research questions. This is because content analysis provided the study with a systematic method of analysing contextual data in a standardized way enabling the researcher to make valid inferences about the information from the data (Padgett, 2016). Without question, data analysis is a fundamental phase, and so data analysis techniques were carefully reviewed and selected.

The first step of the data analysis process was to transcribe all interview data collected. All interviews, apart from five (where participants preferred not to have the interviews tape recorded), were tape recorded. For these five participants notes were made during the interview and as soon as possible after the interview the researcher made additional notes and comments to supplement those taken during the interview in order to capture as much as possible from the interviews. Once data was collected, the researcher proceeded to transcribe the interview material including all audio tape-recorded interviews which were manually transcribed verbatim. The transcription process was carried out by the researcher ensuring confidentiality of the participants, their names and those of their organisations were removed from the transcripts and replaced with "participant 1', participant 2, participant 3...and so on". Also, through the transcription process the researcher began to discover and grasp an understanding of themes that emerged from the interviews. This involved attempting to verify, confirm and qualify the discovered themes by searching through the interview data and repeating the process to identify further themes (Pope and swenberg, 1999). The transcription itself took approximately two and a half months, resulting in 150 pages of documented dialogue.

The second step of the analysis was to read each individual transcript and use a mixture of a colour scheme and notes in the margins to show utterances, theories or short phrases that sum up what is being said in the text. The aim, however, was to offer a summary statement or word for each element that was discussed in the transcript. Next a description of the analysis process is explored in more details. To ensure reliability and validity the analysis process shall be evaluated against some of the qualitative criteria proposed by Lincoln and Guba (1985).

How these were met is discussed at different points over the following sections which discuss the analysis process.

4.11 Data Analysis

The data for this study was analysed using content analysis which was carried out manually.

Researchers regard content analysis as a flexible method for analysing text data and for decades various researchers have used content analysis for data analysis and it has notably proven to be useful in a number of different fields (Hussey and Hussey, 1997; Neuendorf, 2016). Patton (2005) suggests that content analysis is commonly carried out in reference to ‘analysing text (interview transcripts, diaries, or documents) rather than observation based field notes’. As a method widely used by researchers, a number of definitions of content analysis are available. Mostyn (2008) defines content analysis as a diagnostic instrument utilised to make sense of a wealth of open-ended questions. Krippendorff (2004) says that it is a study approach carried out with the aim of establishing valid findings from text in the context of their utilisation. Despite the different definitions given, the overall aim of content analysis is to establish valid conclusions from the gathered data; as can be ascertained through reviewing the different definitions.

According to Parzefall and Coyle-Shapiro, (2011), content analysis seeks to find evidence for a set of predetermined groups which forms an assumption of a coding structure. However, in this study, some flexibility is incorporated in the process as emergent codes were developed from the data. In this study, qualitative content analysis is employed because of its potential to present in-depth, rich data from valid sources (Neuendorf, 2002). In addition, this study used relational content analysis as it is ‘used to refer to any qualitative data deduction and sense-

making effort that takes a volume of qualitative material and attempts to identify core consistencies and meaning' (Patton, 2002). During the content analysis stage for this study, the thirty (30) individual interviews were transcribed and subsequently converted into written format. As the interview data reflected the participants' experience and opinions with regards to perceived impact of outsourcing on the psychological contract of survivors and the extent of socio-cultural factors on how employees experience the psychological contract. Focus was therefore placed on the actual text content.

4.11.1 Stages of Content Analysis

Content analysis comprises a number of stages, including identifying the sampling units, identifying the content categories, identifying the recording unit, identifying the coding, and ensuring reliability and validity. This current study applied these stages accordingly:

a. Identifying the sampling units

During this stage the study investigated and evaluated the text source for analysis as well as its individual elements. Basically, the sampling carried out here was dependent on the research question fuelling the analysis. This method was supported in Bauer (2000), who emphasises that the study questions should ultimately dictate the sampling process.

b. Identifying the content categories

The study implemented content analysis in establishing the emergent themes and sub-themes. The interviews were analysed creating themes and sub-themes in order to understand how outsourcing survivors make sense of the outsourcing process and its perceived effect on their psychological contract.

c. Identifying the recording unit

Next the study defined the unit of recording, which was a unit portion of text for analysis. To do this a combination of words and phrases linked with impact of outsourcing on survivors was selected for the study.

d. Identifying the coding

Coding is a very important part of the analysis. It is a data labelling technique and involves the process of assigning a set of descriptive sub-themes to the theme or sub-categories to the category (Huberman and Miles, 1994). The coding procedures used in this study involved identifying frequency of concept in participants' responses which often resulted in paraphrasing the language of concept or using the participant's literal/direct language. For example, if employees described management as having no regard to how they (employees) feel when making certain decisions, then responses like this were grouped under a main theme 'inconsiderate management'; while literal coding was used to better reflect the perspective of the employees of the organisation, and to be in keeping with the qualitative approach to data, where the aim is not to impose understandings of individuals' reality but to gain understanding.

Coding in this study was classified into two broad categories to address the research question, these are coding derived from interview questions on the psychological contract and coding derived from interview questions on the effects of outsourcing. The psychological contract coding was explored in accordance to relational – balanced – transactional contract typology as presented in Rousseau (2000). The focus of this study is to explore the effect of outsourcing on how survivor employees perceive their psychological contract. This typology offered an understanding of the psychological contract and its different dimensions which contributed to

the coding for the interviews as participants provided an assessment of their contract by identifying their individual expectations and the organisational expectations (interview questions 2 to 9).

Two important dimensions observed from the relational contracts as described by Rousseau were 'loyalty' and 'long term stability'. The two dimensions of the transactional contract are 'minimal participation in the organisation' and 'temporary/short- term duration'. The three dimensions of the balanced contract can be described as 'giving support', 'encouraging employee development within the organisation' and 'encouraging personal development that will improve the marketability' (Rousseau 2000, Bankins 2012). The coding of effects of Outsourcing addressed how participants felt about the outsourcing decision, process and aftermath and covered interview questions 10 to 17 and provided codes that contributed to the themes generated from the findings. The remaining interview questions sought to relate the perception of the participants with their psychological contract in order to address the research question of the study.

Furthermore, the coding of the themes was done such that it allowed for the study to be understood and even generalised to other contexts. This in turn meets the criterion of transferability as posited by Lincoln and Guba's (1985), which argues that a goal of qualitative research is ensuring that research is endowed with a rich description of context to allow readers to evaluate whether the current findings help make sense of other contexts where they are applied. Throughout the course of this study, in an attempt to ensure the overall reliability of the findings, the researcher coded interviews through a simple and very clear coding approach comprising simple categories as shown in Table 4.3.

TABLE 4.3: CODING SCHEME

Code	Main Categories (Themes)	Code	Sub Categories (Sub Themes)
PO	Perception of Outsourcing	IP	Increase profitability
		CNW	Change in nature of work
		DS	De-Skilling
SRO	Survivor's Reaction to Outsourcing	DE	Decreased engagement
		OAS	Occupational anxiety and stress
		ET	Employee turnover
		JI	Job insecurity
MOP	Managing the outsourcing process	IC	Ineffective communication
		EI	Employee involvement
PCE	Psychological Contract effects	OO	Organisational obligations
		SCE	Social cultural effects

4.12 Interpreting the data

In line with adoption of a grounded approach as advocated by Holton (2006) data interpretation took place at many levels and at successive stages of the research and analysis. In the first instance this was at the single case or intra-case level, in order to make sense of each interview transcript and to develop an integrated understanding of each employee's views. This process was influenced by the research objectives and new concepts generated inductively from data leading to emergent themes. During the interpretation, the researcher went beyond descriptions of individual cases towards developing themes which offered possible explanations for what was happening within the data. Ideas were generated, explored and fleshed out through the use of analytical memos. Memos are simply written notes that many qualitative researchers make to themselves throughout the research process to stimulate thought and reflection (Silverman, 2006; Corbin and Strauss, 2008).

During data collection the researcher wrote memos after each interview and also, during analysis memos were written to document merging main themes with sub-themes and how findings fit with existing literatures. Data generated from memos gave a rich understanding of some cases going beyond their description to explanation for example, in-depth reasons for socio-cultural effects on psychological contracts and how an organisation is likely to respond to a breach of contract. The analysis of each interview data, its transcription and the use of memos made the analysis process structured and consistent throughout all interviews. This structured form of analysing the same way increases the reliability and validity of the analysis process. Such a structured form of analysis helps address the criterion of dependability proposed by Guba and Lincoln (1989).

4.13 Ethical Considerations

Potential participants in a research study need to be assured of the ethicality of the situation and that they are protected. Research ethics have serious implications for the researcher, particularly in the preservation of the anonymity of the participants (Saunders *et al.*, 2012; Bell 2014). Therefore, the researcher needs to be careful in his/her approach, as ethical concerns can emerge at any stage of the interview process. Since snowball sampling effect in the current study began with organisation's senior management, the researcher had to be very careful when positioning herself in the research. For instance, the perception of the employees could be that the research involves some corporate motives which could result in socially desirable responses. Therefore, to avoid such misconceptions, first, it was made clear to the participants that the data was being collected purely for academic purposes.

Second, to enhance the quality and quantity of responses, the issues related to confidentiality and anonymity of the data collected were explicitly explained at the outset of the interview. The researcher obtained the consent of participants prior to data collection. Participants were informed that the researcher will not reveal the identity of participants and even though interviews maybe recorded, recordings would not be kept and no names, work titles, or information that could be linked to their identity would be included in the project, or used in conjunction with the writing of the report.

Finally, the study also considered ethics in terms of the participants' well-being as certain questions may trigger intense emotions. In situations of strong emotional responses, the researcher applied empathy, patience and often tried moving on to the next question and returning to the trigger question if the participant agreed to it.

4.14 Evaluation Criteria

This current study is evaluated based on the philosophical stance employed. According to Guba and Lincoln (1985) it is necessary to specify terms and ways of establishing and assessing qualitative research as well as being able to establish the significance in exploring aspects of social in a different light such as trustworthiness. Trustworthiness refers to how good a qualitative study is. It is made up of four criteria, these are: credibility, transferability, dependability and confirmability. The research method applied allowed for in-depth understanding of and detailed description of how the employees viewed the outsourcing process and how it affected their perception of the psychological contract (from the perspective of the employee). Considering this from the employees' perspective ensures credibility of the research as the employee gave judgement about the credibility of the research findings – indicating the findings as confirming that the study clearly depicts their work experiences.

According to Rubin and Rubin (2011) the choice of participants involved in a research study is essential to the robustness of the research results. Sargeant (2012) added that the credibility of a study is improved if the researcher involves participants who reflect many perspectives. Participants from two real estate organisations occupying different hierarchical levels such as head of department, line manager and junior employees within the organisations were selected for this study. All participants have experienced the outsourcing process and by choosing different ranks of employees, it was possible to identify whether the employees' views about outsourcing and how they make sense of, and act upon their experiences vary across ranks. As

a consequence, this participant pool was considered a representative of outsourcing survivors in the real estate industry in the United Kingdom.

The thick and rich quality of data collected and analysed for this current study indicated that findings may also be valid in other organisations in the service sector especially in real estate organisations. Also these findings which are transferable can provide other organisations with what may be considered a database for making judgments about the possible outcomes of the process of outsourcing and its effects from the employees' perspective. In addition, the similarities in findings from both case study organisations indicate that these finding can indeed be applicable in similar organisations. In ensuring the study meet the criteria of dependability, a well documented research process was carried out – with every phase of the process recorded. The phases documented included the selection of the problem, sampling of participants for the study, notes, well transcribed interview questions, data analysis etc. The well documented process will allow for similar results if the study is to be repeated and for further research.

The research process ensured that the research findings are based fully on the participants' responses and not subjected to any form of bias or inclining towards the views of the interviewer. In addition while discussing findings for each theme, excerpts from the interviews were presented to show sections of the interview that highlights the different sub-themes. This process helps meet the criteria of 'confirmability' as proposed by Guba and Lincoln (1994), which aims "to make clear where the data came from and how such data was

transformed into the presented findings”. The research findings demonstrate trustworthiness as is shown in the research process.

4.15 Conclusion

This chapter provides a comprehensive account of the research methodology adopted to pursue the present study. It has presented a description of the main philosophical perspective behind the research and how that shaped the research design. The research method adopted to meet the aim, objectives and answer the research question of the thesis; the rationale and benefits of the method and instrument used, sampling, data collection process and ethical considerations. The chapter has also offered a detailed description of how the issue of ethics was addressed during the research process. The aim of this chapter was to offer the reader a detailed description of how data was collected and how data from the interviews was analysed. The research adopted a systematic approach from the initial stages through to the gathering and subsequent analysis of the data. Essentially, the researcher was influenced to implement a qualitative approach when taking into account the individual objectives and research question, which necessitated the gathering of rich, in-depth data relating to the phenomenon under investigation, as well as the need to consider a number of issues in-depth. The following chapter gives a detailed discussion of the findings.

CHAPTER 5

FINDINGS

5.1 Introduction

The previous chapter outlined the data collection and analysis process, which has spanned into four main themes and 11 sub-themes. The aim of this chapter is to present the findings in context of the study. These findings are intended to provide an understanding of the study's focus by describing the different ways in which employees make sense of, and act upon their outsourcing experience. The themes emphasize how employees felt the outsourcing process affected the exchange agreement they shared with their organisations. This exchange agreement is the psychological contract which is based on the employees' perceptions and interpretations of the communication about promises made to and by the employer. Overall, the findings presented in this chapter show that employees in both organisations adopt either the same or similar processes in dealing with the difficult work experiences as a result of outsourcing. The findings for each theme are presented individually in written form and diagrammatically i.e., using tables and diagrams. The diagrams allow for elucidation of the whole in the context, which preserves and aggravates the psychological contract as understanding the individual is a better means to understand the whole. Furthermore, the data also shows how social and cultural aspects are embedded into the way an employee responds to outsourcing experience, such that it is impossible to analytically separate the psychological contract from the broader social and cultural context.

5.2 Profile of Participants

A total of thirty (30) employees participated in the interview which lasted for forty-five (45) minutes to an hour per interview. Table 5.1 and Table 5.2 show the participants profile, years spent working with the Organisations and salary range.

TABLE 5.1: ORGANISATION 1 PARTICIPANTS PROFILE

ORGANISATION 1 SMALL MEDIUM SIZE WITH 60 EMPLOYEES DEPARTMENTS WITH OUTSOURCED ACTIVITIES			
DEPARTMENTS	EMPLOYEES POSITION	NUMBER OF YEARS IN SERVICE	SALARY RANGE (£) PER ANNUM
Property Management	Manager	6	45,000 - 50,000
	Supervisor	3	30,000 - 35,000
	Maintenance	5	30,000 - 35,000
IT and Administration	Admin	3	20,000 - 25,000
	Database Administrator (IT)	3	30,000 - 35,000
Brokerage	Appointed Representative	4	25,000 - 30,000
Marketing	Sales Manager	5	40,000 - 45,000
	Sales Agent	3	25,000 - 30,000
	Sales Agent	3	25,000 - 30,000
	Lettings Agent	3	25,000 - 30,000
Valuation	Property Valuer	4	30,000 - 35,000
	Sales Negotiator	4	30,000 - 35,000

TABLE 5.2: ORGANISATION 2 PARTICIPANTS PROFILE

ORGANISATION 2 MEDIUM SIZE WITH 80 EMPLOYEES DEPARTMENTS WITH OUTSOURCED ACTIVITIES			
DEPARTMENTS	EMPLOYEES POSITION	NO OF YEARS IN SERVICE	SALARY RANGE (£) PER ANNUM
Property Management	Operations – supervisor	7	30,000 - 35,000
	Maintenance	3	30,000 - 35,000
	Maintenance	4	30,000 - 35,000
IT Management	Manager	6	50,000 - 55,000
	System Administrator	7	35,000 - 40,000
	IT Support	6	30,000 - 35,000
	IT Support	3	20,000 - 25,000
Brokerage	Financial Advisor	6	45,000 - 50,000
	Appointed Representative	4	30,000 - 35,000
	Appointed Representative	3	30,000 - 35,000
Marketing	Manager	8	50,000 - 55,000
	Lettings Agent	4	30,000 - 35,000
	Sales Agent	4	30,000 - 35,000
	Sales/lettings Agent	5	30,000 - 35,000
Valuation	Sales Negotiator	4	30,000 - 35,000
	Sales Negotiator	3	30,000 - 35,000
	Sales Negotiator	3	30,000 - 35,000
	RICS Valuer	4	50,000 - 55,000

5.3 Themes

As discussed in Chapter 4, developing the themes to classify the transcribed interview data is at the centre of content analysis. For this study, the researcher ensured the themes were clearly defined and adaptable to the questions and content. Individual themes are exhaustive as they include all appropriate sub-themes. The main themes are developed as a result of frequency of concepts in the participants' response, while responses that are similar in concepts were grouped under a main theme.

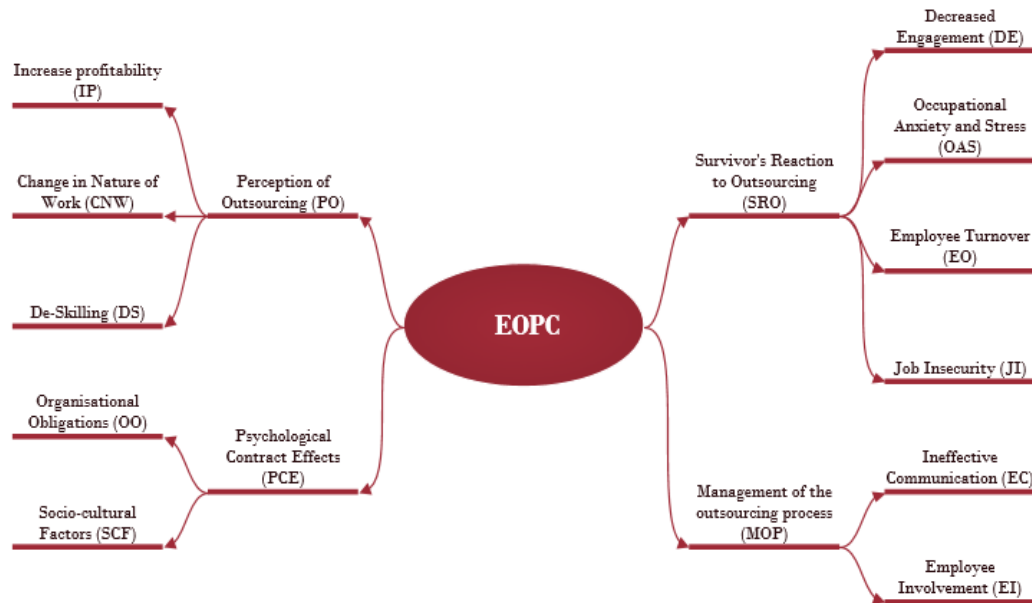


Figure 5.1: Mind-map showing an overview of the relationship between the themes and sub-themes

5.3.1 Perception of Outsourcing (PO)

This theme is formed based on the responses of the participants (employees) about their views on outsourcing and the decision to outsource. It also includes the views of managers about the outsourcing decision. This theme revealed an existent sense of disagreement between senior (managers) and junior level employees in both organisations. All interviewed employees that are below senior management i.e., some line managers and all junior employees argue that the overall benefits of outsourcing were at the expense of the employees. These employees felt intimidated and threatened by the prospects of jobs moving to a third-party provider. From the

interviews, it was clear that all junior employees interviewed perceived outsourcing as a negative change and its implementation, a unilateral “violation of psychological contract”. Three (3) significant themes emerged that uncovered issues relating to employees’ perception of outsourcing. The discussions under this perception of outsourcing are structured to present findings for the research question.

a. Increased profitability

While all participants indicated that the outsourcing process may be linked to a strategic move of the organisation to increase profit, there have been different views between managers and junior employees about the process. From the interviews, it was evident that in both organisations, all managers perceived outsourcing as a way to increase profit; this is indicated in the following comments:

“...outsourcing has provided this organisation with a viable strategy to save cost on labour, giving us options to take advantage of the different services available to ensure increase productivity and profit.” (Organisation 1, Property Manager)

“...you see the organisation has benefited from outsourcing...especially in outsourcing some IT functions which in my view is a good thing as we do not have to invest in those technologies because of the ever-changing methods and techniques in IT.” (Organisation 2, IT Manager)

The managers interviewed in both organisations are heads of their department and have over five (5) years of working experience with the organisation were involved in the outsourcing decision process. The theme around 'increasing profitability' seemed to describe managers feeling that in the highly competitive real estate market the organisation has to outsource some of its functions to stand out. The belief in outsourcing as the required strategic process was echoed among managers in both organisations. As evident from the interviews, managers felt

that to stand out successfully in terms of increased productivity, reduced labour cost and access to a variety of supporting services, outsourcing was necessary. Achieving these provided managers with some form of fulfilment. Also from the interviews it was evident that some senior staff members were sceptical about outsourcing.

“...I must say outsourcing has proven to be a tricky one...from the experience we had with the recent outsourcing...I can't really say we have achieved much especially in this department. Everyone seems to be busier if that amounts to anything, I'm not certain. Most especially I fear that whatever savings it may have created may be lost in comparison with maintaining the new process. For the first 3 months, we seemed to achieve our aim of being strategic...cutting cost...increasing profit but in the fourth month saving costs was limited and well below our intended average...the cost of outsourcing doubled.” (Organisation 2, Financial Advisor)

The statement from the financial advisor with over five (5) years of work experience was also perceived by other supervisors and all employees below supervisory level as they felt that the outsourcing impacted on their work negatively and has not improved their working experience in anyway. Majority of the employees here perceived 'outsourcing decision makers' as acting for personal interests and not in the best interest of the organisation. Comments that revealed such perceptions include the following:

“...outsourcing consists of a group of fat bellied men sitting down taking coffee or whatever as they discuss how to make other people's life miserable. They say, it's to cut costs, increase profit...we are doing better now... yet since I started working here I have earned the same. So, to me its scam created to make those guys up there have bigger belly.” (Organisation 2, Lettings Agent)

“...outsourcing...I think they may be trying to increase profits for themselves by saving costs or something...I don't know why and no one in my unit does, but I reckon it is very unnecessary and de-motivating...especially when you have put sweat and blood into the job for years.” (Organisation 1, Lettings Agent)

The outsourcing decision as a strategy to increase 'unseen' profit left employees feeling unfairly treated and they perceived the outsourcing process as self-serving, ineffectual, and

not in the interest of the organisation. With these common perceptions of outsourcing among majority of employees, they felt 'angry', at the negative impact the process has had on their working experience; especially that their jobs can be traded by management any time they deemed fit and the feeling of 'not being able to do anything' about it. As a consequence, the employees interviewed in both organisations felt powerless, not valued, unappreciated and demotivated.

[Talking about the outsourcing process as a strategy to increase profit] “There is nothing you can do, sincerely speaking, you just get your head down and get on with things and that’s it.” (Organisation 2, System Administrator)

To cope, all employees interviewed sought strategies to get relief from the difficult work experience mostly either by persisting or limiting their dedication to work. Comments from an employee with about four (4) years’ experience further shows a majority agreement among all employees below management level.

“...even though I am fed up, I don’t quit... I just go there and do what I have to do and get the hell out. I mean you keep working and working, till 8pm, even on weekends and for what? For them to come and say ‘oh, we’re releasing you...” (Organisation 1, Sales negotiator)

Adopting these strategies to cope with the difficulties at work has helped employees divert focus to experience some relief in a situation they already feel trapped in.

b. Change in nature of work

Within this theme, employees in both organisations perceive outsourcing as a process that often comes with a change in the nature of work either for good or bad. Managers from both Organisations felt positive about the change in nature of work. It is a widely held view among senior managers and some line managers that for the Organisation to keep functioning

smoothly, after the outsourcing process some employees must have their duties restructured. They also felt this will give employees an opportunity to develop skills in new areas. A supervisor with seven (7) years' work experience revealed this in his comment:

“... yes, I think that is definitely a necessary move to rearrange duties after an outsourcing process... it helps when there is shortage of staff. In my department when we outsourced certain tasks some staff had to be assigned new roles while some had to go...similarly if the organisation has 10 employees and the task left is something 5 employees can do, we may only re-assign the 5 we need.”
(Organisation 2, Property Management Supervisor)

While all senior managers are of this same opinion as the comment above, majority of junior level employees interviewed had a negative feeling about change in nature of work indicating that it led to them either being overworked, underworked or redundant.

“...I definitely would say my job specification has changed...I feel like a chunk of what my role is has now (pauses) gone, so it's...it's changed. Yeah, I feel like a significant part of my role has been taken away essentially and now it's the extra overburden of office work because of being restricted to just those roles in the office. So yeah, it isn't the same.” (Organisation 1, Admin).

These employees believed that with the change in nature of work their departmental targets in terms of providing the necessary services were often too high and felt that no matter how hard they tried, some targets could not be met. Due to shortage in employee number after the outsourcing process and constant overt pressure to meet the departmental targets, employees felt unable to provide what they considered to be appropriate service to clients and were left feeling pressured and exhausted.

“I know we are required to meet all departmental targets and I think that the targets that they set are very high and I understand that they want to have high quality service...but I think they are not realistic, they are not concerned whether we are actually able to offer good quality service, in fact I do not think they put inexperience in key aspects and limited employee numbers into consideration.”
(Organisation 1, Database Administrator)

“...I like new challenges. I have had my work description changed twice since the outsourcing process. Unfortunately, it is the pressure to suddenly be perfect in an area that you lack the necessary experience that tires you.” (Organisation 2, Maintenance)

Such pressure also leaves employees feeling unacknowledged in terms of their efforts to meet up with change in their work. To get relief from such difficult feelings, majority of employees interviewed sought strategies such as talking to colleagues and family i.e., people who are supportive about how they feel in relation to experiences at work. Two (2) Sales agents with over three (3) years experience each from both Organisations revealed this in their comments:

“...fortunately, I have a supportive partner and, so I am able to talk to her and relieve myself of the difficult experience at work and then come back [to work].” (Organisation 1, Sales Agent)

“... my colleagues and I talk about it [increased work pressure] and it makes me feel better because I am not alone in this. Everyone is in it as well. And it feels better. You feel better when you talk about things, but at the end of the day, nothing changes...but it is at least something rather than just keeping it inside you and feeling worse.” (Organisation 2, Sales Agent)

The comments revealed that all employees interviewed with this view felt unacknowledged and not supported by the organisation. This further shows that the opportunity to empathise with each other influenced the employee’s perception of their work, even though in reality there was no physical change in the nature of the work. This supports that the perception of the employee is not independent of social interaction. Also, there were few employees who felt striving more was the way to deal with increasing pressure at work.

“...it is my belief that if I strive more even with all the recent changes in nature of my job and do well...somewhere somehow they will appreciate me.” (Organisation 2, Sales/lettings Agent)

“...I am here to work and as long as I am working here...I'll do my best in whatever capacity I can...this gets management's attention and you know...maybe good rewards.” (Organisation 2, Appointed Representative)

These employees felt if they work harder at their new job description, they will be acknowledged, appreciated or even rewarded. All employees with this view of 'striving more' as a way of dealing with the change in nature of work are from Organisation 2, although some employees from this same Organisation have adopted a different strategy. While all employees that adopt 'talking to supportive people' as a strategy to cope with dealing with work difficulties are from Organisation 1. This indicates a possible difference in employee - manager/management relationship in both Organisations. Employees from Organisation 1 felt managers are unavailable to relate with, making it difficult for them to make any necessary changes. These employees in organisation 2 probably have better access to their managers and they keep trying to impress them and work harder despite the increase in pressure at work with the hope of being appreciated/rewarded or this may suggest employees trying to please the managers even at their detriment rather than working according to their contractual terms.

c. Deskilling

Within this theme majority of employees in both organisations perceived that outsourcing reduced their chances of training and development or deprived them of the opportunity to fully utilise their acquired skills hence their opportunity to advance and accomplish much in their career. There was also a difference between how established employees and relatively new employees perceived outsourcing and acted on their experience. Established employees felt threatened by new, more educated employees thinking that the new employees would take away their chances if any of training and development in the job areas after outsourcing hence leading to the organisation making them redundant. On the other hand, the more educated employees also felt that outsourcing functions especially their areas of interests/specialization

limited the chances of getting the required training in that area and this negatively affected their professional growth. From the interviews, majority of employees in both organisations felt that the organisation preferred to outsource instead of making use of their skills and qualifications. They felt that some functions were outsourced because those functions were rarely allocated to those with skills and qualifications.

“...there are a couple of us with university degrees, some even masters’ yet the organisation does not utilize our skills correctly. We have our specialized functions outsourced instead of more training and development.” (Organisation 1, Sales Negotiator)

“...I have a university degree and I believe that I am smart enough to learn new knowledge on the job and I am willing to. However, I have never been given any opportunity to advance...no training, no seminars and there are tasks that I know if only I had the right training they should not be outsourced.” (Organisation 2, Sales Negotiator)

“...I feel like I’m losing vital skills...and I feel that’s a part of the work or erm skill that’s really useful in this line of work. Since this has been, it has taken away the opportunity to grow in skill set and I don’t get to gain more experience in doing that which is quite important to my professional growth in this line of work, like I said especially if you’re considering being a negotiator in the long run which I have been working towards.” (Organisation 1, Admin)

As a result, many new and educated employees felt undervalued and unappreciated. According to majority of established employees (over 3 years experience) in both organisations, outsourcing has contributed largely to them not receiving the necessary training and development required to stay up to date with trends, methods and techniques in the field. An employee with five (5) years experience in maintenance expressed this widely accepted view (in both organisations) in his comments:

“...I can say that outsourcing has to a great extent contributed to why most of us have been on the same spot for years without promotion...and I say this because instead of the organisation committing to our training and development, so we can

grow, they either train the new employee or outsource the job we are meant to do...saying we are not experienced for this.” (Organisation 1, Maintenance)

The above perception of outsourcing has left many of these employees questioning their prospects of growth in the organisation, even though it is possible that much of their poor organisational experience stemmed from ineffective organisational procedures such as very limited training and development opportunities.

Findings from the interviews conducted on employees’ perception of outsourcing showed a range of views and emotions from employees. The perception of outsourcing as it relates to effects on deskilling in both organisations seems to be associated with an image problem; this is in line with Heywood (2001). Though all employees agree that outsourcing has contributed to deskilling within their individual organisations, the established employees felt hurt and threatened that they must compete with the educated employees for the limited opportunity for training and development. Employees also indicated a reduced satisfaction with work because they sought growth and development and the opportunities were not presented to them. In response to deskilling, employees have adopted various coping strategies.

Among established employees (with over three years experience), attacking educated employees was a noticeable response to coping with deskilling due to outsourcing. By attacking or being critical of others, these employees felt powerful especially against the new and educated employees. To get relief from limited training and development opportunities or the inability to fully use their acquired skills hence limiting their opportunity for advancement, all employees interviewed resulted in either persisting or striving more. By persisting, majority of employees have come to conclude that they cannot change anything about the

difficulty at work so instead they get on with things. While some employees felt if they work harder, gain more qualifications, they may have the opportunity for advancement; a strategy not accepted by majority of the new and educated employees. All interviewees felt that outsourcing has led to a degradation of the skills sets of the organisation and its employees. Figure 5.2 shows an overview of employees' response and coping strategies to their perception of outsourcing.

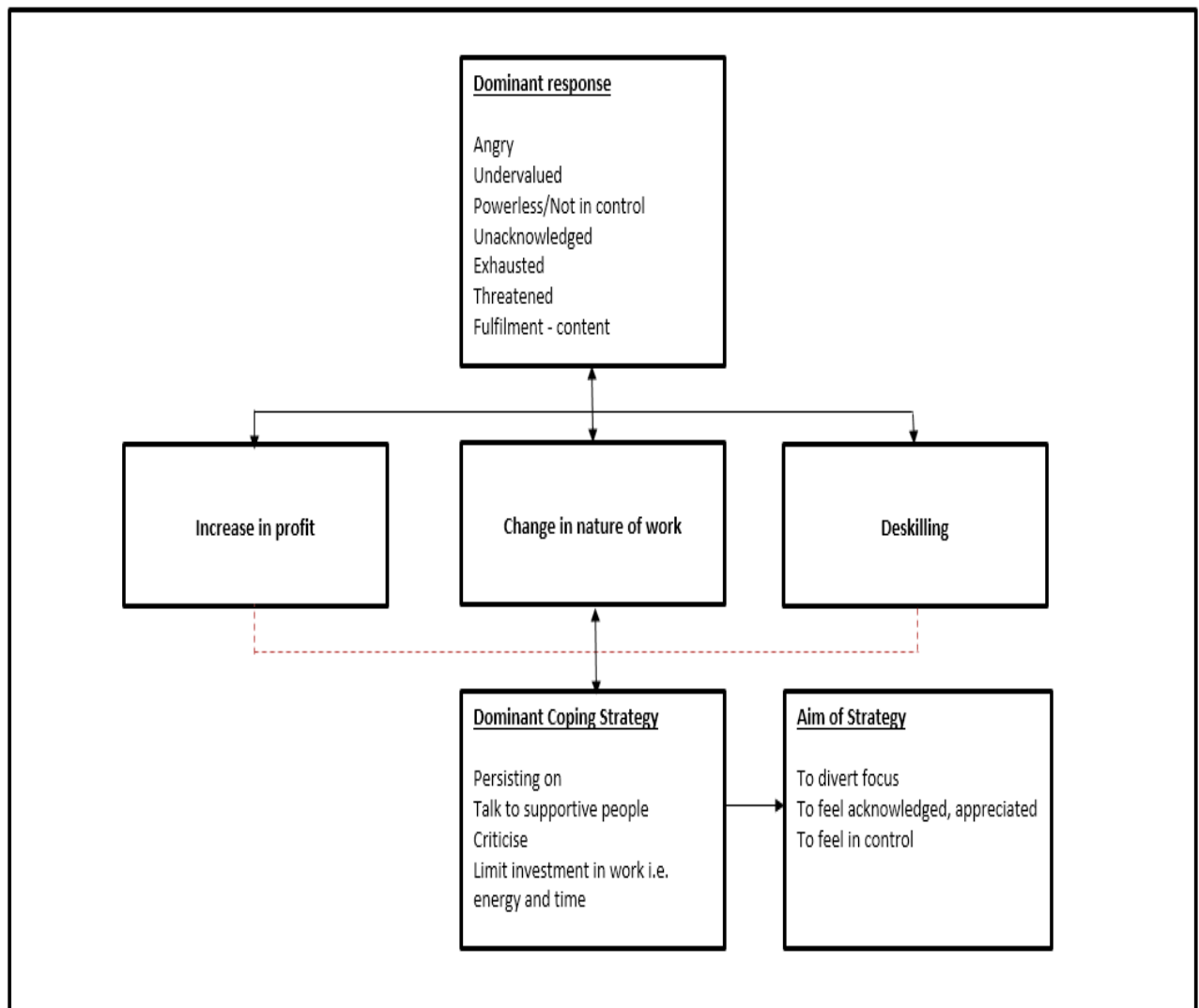


Figure 5.2: Overview of employees' dominant response and coping strategies to the theme 'Perception of Outsourcing'

The theme on perception of outsourcing provided an understanding of how employees perceived outsourcing which was: a means to increase profits, a change in the nature of work and a contributor to deskilling. From the interviews, it was clear that majority of employees interviewed perceived outsourcing as a negative change and its implementation a unilateral “violation of psychological contract”. This violation is based on how they make sense of, and act upon their outsourcing experiences. Overall related feelings recognised among majority of employees under the 'perception of outsourcing' theme were: angry, undervalued, unacknowledged, exhausted and threatened. To deal with these experiences employees sought to persist, reduce dedication to work, talk to people who support them, attack others and strive more. A more detailed breakdown of the employees’ dominant response and coping strategies is outlined in Tables 5.3 and 5.4.

Table 5.3: Dominant Employee Response to the theme ‘Perception of Outsourcing’

Organisation 1		Organisation 2	
Dominant Response from employees	Count of Responses	Dominant Response from employees	Count of Responses
Angry	9	Angry	15
Undervalued	10	Undervalued	10
Powerless	9	Not in control	16
Unacknowledged	7	Unacknowledged	15
Exhausted	10	Exhausted	16
Threatened	3	Threatened	3
Fulfilment - Content	2	Fulfilment – Content	3
Total number of participants interviewed	12	Total number of participants interviewed	18

Table 5.4: Dominant Employees Coping Strategy to the theme ‘Perception of Outsourcing’

Organisation 1		Organisation 2	
Dominant Coping strategies	Count of Responses	Dominant Coping strategies	Count of Responses
Persisting on	9	Persisting on	9
Talk to supportive people	9	Talk to supportive people	15
Criticise	4	Criticise	3
Limit investment in work	10	Limit investment in work	16
Total number of participants interviewed	12	Total number of participants interviewed	18

5.3.2 Management of the Outsourcing Process

Within this theme employees felt the inability for management to effectively communicate and involve them showed poor management of the outsourcing process. They felt that it was vital for the organisation to pay attention to their involvement and satisfaction with the process. The failure in doing this impacted on their trust, self-esteem and increased intention to leave. Majority of employees interviewed perceived this failure as violation of psychological contract and as a result they reciprocated in kind. It was evident from the interviews that reciprocating in kind involved employees being less committed or investing less in work (emotionally or behaviourally). Two (2) significant themes emerged that uncovered issues relating to inconsiderate management as a result of outsourcing. The findings from this theme are structured to present results for the research question. These are: ineffective communication and lack of employee involvement.

a. Ineffective Communication

Though the editorials from both organisations indicated that employees were informed in meetings about the outsourcing decision prior to its commencement, however, it does not reveal how the process was communicated in detail. Participants on the other hand complained about how they were informed about the outsourcing. Participants in organisation 1 claim to have initially found out about the outsourcing through rumours:

“Hmm, (pauses) I found out from a colleague actually. She was supposed to go for a viewing and then later found out that someone else had been sent erm instead. So basically her appointment with her client was just taken over by someone else. The manager just informed her that another company will be handling viewings so she didn’t have to go and information will be sent back to the office. I guess that was how I came to know we were outsourcing. Other aspects have also been let out like evictions and some parts of management, but the first I heard about was viewings and it was a bit annoying. You know, to have been left in the dark like that and all. But yeah, that was how I found out that the outsourcing was going on.” (Organisation 1, Admin).

In organisation 2, participants did admit to being informed in a meeting about the outsourcing but said the outsourcing decision had already been made and suggested the process was already initiated before the communication:

“Yes, I suppose it had a lot to do with cutting costs but there had been whispers going around about meetings to transfer some services out but we were not really sure what they were. How did I find out? Yeah, we were called into a meeting and informed that the organisation will be no longer be handling evictions, inventory and some other services. It was more of an informative meeting. I suppose consultation had been done with the relevant members of staff, I wouldn’t know but for me, it was just informative. Not really like anybody was asking for anybody’s opinion.”(Organisation 2, Lettings Agent).

From the interviews, it was evident that all employees below management level in both organisations felt that lack of effective communication exhibited by the organisation negatively impacted their perception of the outsourcing process. They felt if their

organisations had communicated better about the rationale behind the outsourcing decision to them, they would have felt more engaged with the process and therefore supported and collaborated more with their organisations. In organisation 1, all employees felt that communication would have reduced the uncertainty around the process.

“...I guess if management tried to carry the team along on decisions. So, for example, maybe next time they tell us in advance, and then they can listen to our opinions and find a way to keep the morale and motivation up even with the changes going on in the organisation. Ermm yeah, maybe that could help”. (Organisation 1, Supervisor)

“...if they had informed us about the outsourcing process, at least it will be in the open and if they explain the benefits to us and how we will be affected, then we can consider participating properly.” (Organisation 1, Sales Agent)

This made employees feel threatened, betrayed, de-motivated and uncertain about their future in the organisation as they questioned the loyalty of the organisation. Furthermore, employees felt management did not have their best interest at heart; otherwise the process could have been handled better.

“...I believe that management could have handled the situation better. If a decision is made for the betterment of the company, I believe that the employees should also be a part because they are the ones that work under the daily effects of such a decision. It is great to start a job where you feel as though the management wants you to benefit and develop but making such decisions that contradict with this is difficult to deal with. I’m not trying to be dramatic, but it feels a bit like a betrayal.” (Organisation 1, Database Administrator)

In organisation 2, employees emphasized a lack of communication and poor explanations for the need to outsource. They felt that the fact that there was no communication until after the process began did not let them prepare for the outcome and in turn their support and their perception about the process was negative.

“...at least management should tell us about the process one or two months beforehand, thus allowing us enough time to prepare ourselves for any changes not keep us in the dark.” (Organisation 2, Appointed Representative).

This feeling of being kept in the dark made employees insecure in turn they disagreed with the outsourcing, thereby affecting commitment and support towards the process.

“...not getting adequate information about the actual nature of the situation or a true picture of the reason for the decision just further encouraged fear and insecurity. It’s very difficult if not impossible to support a decision like that.” (Organisation 2, IT Support)

In both organisations, the lack of communication made employees view management as inconsiderate and this resulted in uncertainty, distrust of management, employees feeling undervalued, de-motivated, threatened and betrayed. Again, to cope with this unfavourable work experience employees adopted strategies such as: limiting how much time is spent at work, attacking the organisation, absenteeism to re-establish power, detachment by cutting off feelings, and persisting on. Despite providing a temporary relief, this has done nothing to change the reality of the situation. Some managers also agreed that the outsourcing process could have been handled better.

b. Lack of Employee Involvement

Under this theme all employees felt they were kept in the dark and were not involved in the outsourcing, a process that largely affected all aspects of their working experience resulting in employees feeling a violation of psychological contract and insecure about their job. This insecurity brought on feelings of reduced commitment, job withdrawal, increased absenteeism and reduced productivity. In organisation 1, employees felt their lack of involvement in the process meant they were undervalued and in return they were willing to take lesser risks

because they were of the opinion that they were not valued. Feeling undervalued led to deterioration of morale among employees.

“...since the organisation did not allow us to get involved in the process, we feel that the organisation does not trust us and honestly this makes me question their loyalty. I don’t see the need to go an extra mile when I’m not valued.” (Organisation 1, Appointed Representative)

“...I feel that the organisation obviously does not believe in me or my ability to deliver. It can make a person feel very incompetent.” (Organisation 1, Lettings Agent).

From the interviews, employees in organisation 2 felt threatened by the organisation not involving them in the process. As a consequence they were angry at management, and felt uncertain about their future in the organisation, as indicated in the following comment:

[Talking about employees not involved in the outsourcing process] “...very uncertain and very stressed about it...it creates a lot of stress for me.” (Organisation 2, IT Support).

In both organisations, employees perceived management's' decision not to involve them in the outsourcing process as inconsiderate. Due to these employees felt uncertain, undervalued, insignificant, de-motivated, threatened and betrayed and lost trust in management. As previously observed, to cope with this experience employees adopted strategies such as limiting how much time or energy is spent at work to gain some control over the uncertainty, re-establish power, aloofness, and persistence. Figure 5.3 shows an overview of employees' response and coping strategies to the theme 'managing the outsourcing process.

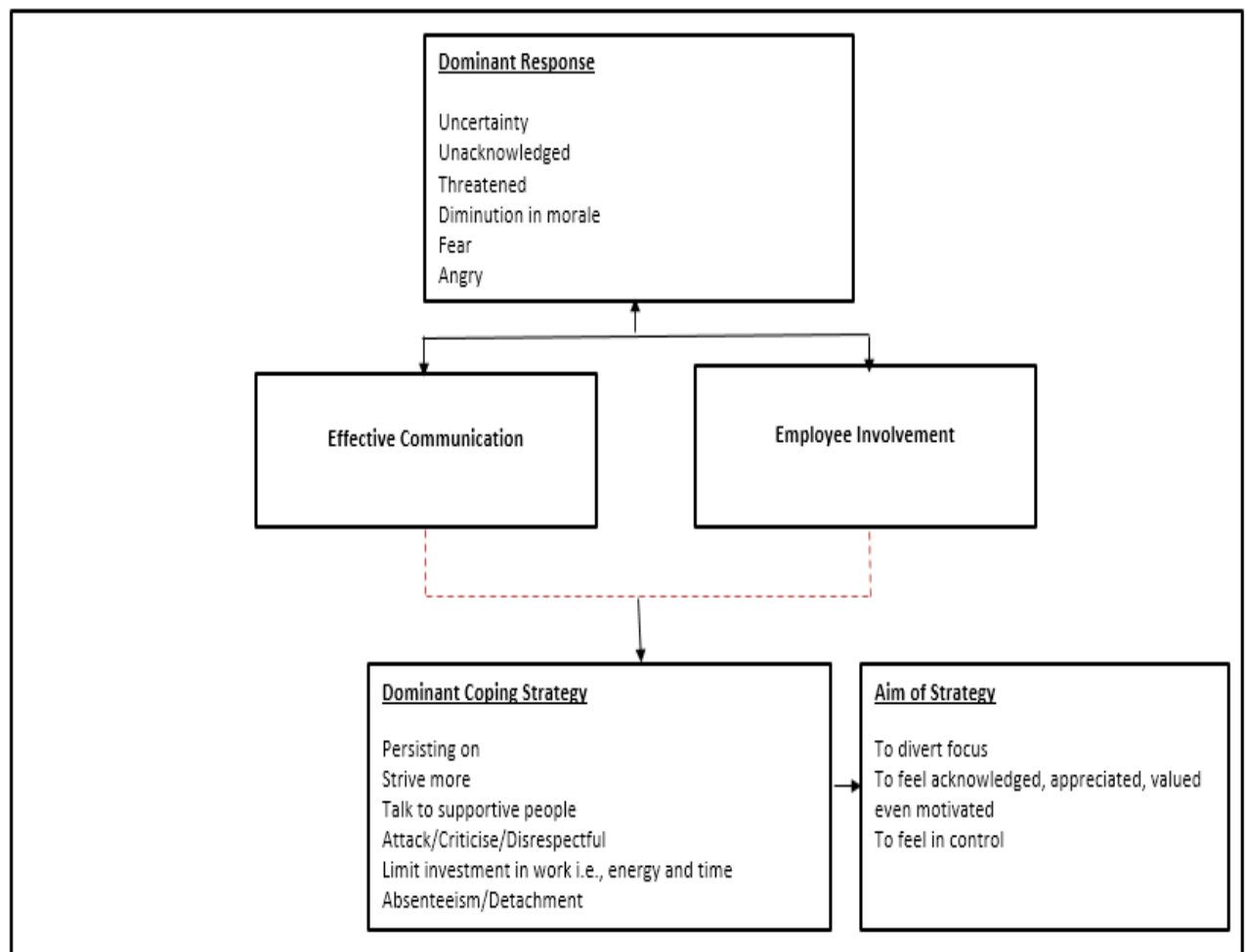


Figure 5.3: Overview of employees' responses and coping strategies to the theme 'Management of the Outsourcing process'

By limiting how much time and energy spent at work employees could invest elsewhere diverting focus from the difficult work experience. Although this led to employees being indifferent towards the organisation, it helped manage feeling undervalued and de-motivated. To gain some control over the uncertainty regarding the work situation employees sought out ways to get information from different sources as well as gossip. However, this strategy often left them feeling more uncertain about their jobs as well as undervalued by the organisation

and management. To re-establish power, employees tried absenteeism in form of extended sick leave. By cutting off, employees felt resigned to the situation, they were indifferent and detached towards the organisation. While these strategies provided a temporary relief, the reality remained the same. A more detailed breakdown of the employees' responses and coping strategies to inconsiderate management is outlined in Tables 5.5 and 5.6.

Table 5.5: Dominant Employee Responses to the theme 'Management of the Outsourcing process

Organisation 1		Organisation 2	
Dominant Response from employees	Count of Responses	Dominant Response from employees	Count of Responses
Diminution in morale	8	Diminution in morale	15
Uncertainty	8	Threatened	12
Unacknowledged	9	Angry	16
Threatened	6	Uncertainty	13
Insignificant	7	Fear	12
		Unacknowledged	14
Total number of participants interviewed	12	Total number of participants interviewed	18

Table 5.6: Dominant Employee Coping Strategies to the theme 'Management of the Outsourcing process

Organisation 1		Organisation 2	
Dominant Coping strategies	Count of Response	Dominant Coping strategies	Count of Response
Persisting on	6	Persisting on	13
Talk to supportive people	9	Talk to supportive people	15
Attack/Criticise	9	Attack/Criticise	9
Limit investment in work	9	Limit investment in work	11
Absenteeism	6	Strive more	6
		Absenteeism/Detachment	6
Total number of participants interviewed	12	Total number of participants interviewed	18

5.3.3 Survivor's Response to Outsourcing

This theme includes how the employees handled the outcome of the outsourcing process. It explores the impact the outsourcing has on the survivor employees and how this has influenced how they experience their work. Within this theme employees felt that the outsourcing process was an 'act of unfairness' by management and they developed attitudes, feelings and perceptions about the process. Employees felt that they gave and sacrificed much for their organisations and that their organisations not only did not reciprocate, but had violated their trust with the sudden outsourcing process, and this was a violation of their psychological contract. This posed a difficult work experience for majority of employees and resulted in lack of enthusiasm towards the job, high levels of exhaustion, stress among employees, apathy, high levels of dissatisfaction and increased likelihood of leaving the job as the process created minimal job security for them. Four (4) significant sub themes emerged that uncovered issues relating to survivors' response to outsourcing. The findings from the theme are structured to present results for the research question.

a. Decreased Engagement

Majority of interviewees below management level from both organisations felt threatened, hurt and betrayed by the outsourcing process and this resulted in lack of enthusiasm towards the job hence employees were less engaged and invested less in work. In organisation 1 majority of employees felt the outsourcing process caused a major disruption in work activities and that they were still recovering from it leaving them feeling indifferent. A lettings agent with over three (3) years of work experience indicated this in her comment which was the general view of employees in the organisation:

“With the confusion, the last outsourcing caused... we are still recovering ...I know I am still [recovering]... the organisation has hurt me, and I feel bad...so for now I just separate myself and do not do more than the basics.” (Organisation 1, Lettings Agent)

Also, they were apathetic because they felt nothing could be done to improve or change their current situation. In addition, some employees in organisation 1 indicated that because of the outsourcing they were more cautious and on alert for any sudden surprises from management.

“... like I said earlier, I’m more cautious...everyone has their ears to the ground. I don’t want to be caught off guard so it’s better to be prepared...it looks like you can’t really predict their next move or expect their decisions to be favourable. So, while I’m still doing my job...I won’t exactly say I’m killing myself for the organisation. I’m also doing extra jobs at my spare time, so that I’m building a portfolio for myself just in case. You never know.” (Organisation 1, Maintenance)

The decision to outsource in organisation 2 also left majority of employees not feeling like a part of the organisation because they were not fully aware of the outsourcing process. These employees also indicated feeling hurt and betrayed hence some resulted in being apathetic.

“[talking about how he feels since the recent outsourcing] ...I don't feel like I’m part of the organisation...I don’t care where the organisation is going...I just switch off and do what I need to do and get out.” (Organisation 2, IT Support)

Generally, in both organisations all employees interviewed on this theme felt that they have been very willing and putting in effort to be excellent at their jobs but do not feel the organisation has done the same by putting them into consideration especially when making such important changes. Employees perceived management as unfair and breaking the trust, they had in it. To employees, management was just looking out for themselves. Consequently, the interviewees felt less enthusiastic about their work, had a reduced sense of

personal investment and a lack of commitment towards surpassing goals. A majority indicated not being satisfied at their jobs anymore.

Under this theme the main response from all employees below management level interviewed was a decrease in work engagement. This resulted in majority of employees in organisation 1 limiting their investment e.g. commitment, time at work, and investing their time elsewhere. They believed that by limiting their investment they would at least feel more in control of the difficult experience at work. The strategy adopted by these employees is coupled with the belief that management does not reward hard work no matter how hard they try. This was the view of majority of employees and is seen in the following comment:

“It is very de-motivating...especially when you work hard. They do not seem to recognise that you put in lots of hours - working late to do an exceptional job. Really no-one cares as they have shown us through the recent outsourcing. So majority of us have changed our perspective rather than waste energy with people that don't care.” (Organisation 1, Lettings Agent).

Similarly, by decreasing engagement at work, majority of employees in organisation 2 cut off to get relief from the difficult outsourcing experience at work. These employees felt that if they cut off - just go in and do their work and leave, they will feel more in control of the experience. Although these responses from employees give a temporary ‘feel better’ mood, the work condition remained unchanged in reality.

b. Occupational Stress and Anxiety

Within this theme employees felt that occupational stress and anxiety occurred as they responded to difficult work experiences. Employees also felt that stress impacted on their individual ability to handle the requirements of their jobs, as well as their well-being and in

turn had a negative effect on overall organisational success. They perceived the outsourcing process as a threat to their sense of control. Majority of employees in both organisations indicated that immediately prior to and during the outsourcing process they experienced physiological stress because of changes that outsourcing presented. This included variance in workloads, working conditions, and work hours and led to physical pains, exhaustion, and changes in eating and sleeping patterns.

“...I believe it put most of us in a bad place...a few of us talk about it when we have the time to encourage each other. I can say the outsourcing process has negatively affected us doing our jobs...most of the time we work scared, or overwork due to the increased workload or just to try and prove our job is valuable, we go home worried giving us sleep problems.” (Organisation 1, Appointed Representative)

“I am somewhat stressed. In addition to performing my regular duties, I have been tasked with assisting the third-party vendors for these projects.” (Organisation 2, IT Support)

“...I don’t know if it’s okay to compare outsourcing with downsizing or retrenchment, but I think it’s just as bad if not worse. Something about it just suggests that a person is incompetent which is quite unfair; especially when you’ve been with the organisation for a while. It made me physically and mentally stressed...constantly not knowing what to expect.” (Organisation 1, Maintenance)

Employees in both organisations felt that the work environment had changed since the outsourcing, identifying difficulty in carrying out simple tasks. Some employees indicated being jumpy when they see a board member walk into their department. The outsourcing process made employees uncertain if they would be one of those to lose their jobs. Some employees were also afraid that the process would result in more resignations hence more workload for the remaining employees. This perceived psychological contract violation resulted in employees seeing their relationship with the organisation as that of a transaction and resulted in majority of the interviewees being unconcerned as they felt they had lost a

basic reason to work. Furthermore, employees felt that limiting or eliminating outsourcing could help them feel less stressed, appreciated, and satisfied with their jobs. In agreement to this view an employee with over seven (7) years' experience indicated that outsourcing should only be carried out when necessary.

“...I understand outsourcing in some situations where it may be ideal for some organisations, but I also understand that the organisation whose IT infrastructure is being outsourced ends up losing a lot of control over what's happening on that network. For this reason, it is best to only use outsourcing when it is absolutely necessary.” (Organisation 2, System Administrator)

While majority of employees in organisation 2 indicated increase in stress levels some employees felt that outsourcing did not increase their stress levels. These employees indicated a match between their needs and environmental rewards such as pay benefits that positively impacted their stress levels. Unlike organisation 1 where all interviewees below manager level indicated high increase in stress levels and felt the rewards and benefits they earned was way less than how much they input to their job and the organisation.

To cope with the increase in stress at work due to the outsourcing process, employees adopted certain strategies. In organisation 1 some employees limited how much time they invested in work to feel more in control thereby diverting their focus to get some relief from the difficult work experiences. However, this has not changed their working situation. Also, some employees felt that by talking about it with colleagues that are supportive they felt some relief even though their work experiences still stayed the same. While employees in organisation 2 adopted similar strategies as those in organisation 1 i.e., limited how much time they invested at work, some employees felt that by striving more they may be more appreciated and valued by the organisation. In both organisations employees felt that work-related stress had

undesirable consequences on job outcomes for them and the organisations, and have led to an increase in intention to leave.

c. Job Insecurity

From the interviews, it was evident that employees felt inefficient and lacked ability to maintain continuity in a situation where their job was threatened by the outsourcing process. For example, many employees' in both organisations knew some colleague who was either made redundant or 'let-go', which challenged how they viewed their exchange relationships and resulted in them re-assessing 'what they meant' to their particular organisation. This subsequently fuelled individuals' job insecurity. These employees indicated that job insecurity has almost the same negative consequences on them as job loss and many indicated being affected physically and mentally. In both organisations majority of the employees identified with low perception of job security. The general attitude was that 'outsourcing' was a reality and no one [below management level] is protected.

“...For those of us still left, anything can happen...that's just the reality of it. I guess no one really saw that coming but for someone like me, it just means I have to be prepared for anything. My focus is also more on building myself a good resume.” (Organisation 1, Lettings Agent)

“...not really knowing how or why the decision was made just leaves that tensed feeling of not knowing what future decisions may be made and how it can affect you personally. You never know what measures to expect...it makes you really think how important your job is and how dispensable or indispensable you may be. It is frustrating...” (Organisation 2, IT Support)

Employees felt that not only was their well-being affected but also their attitude towards work in terms of decreased job satisfaction and organisational commitment. Employees in organisation 1 expressed higher levels of job insecurity and felt management did not try to make better the work environment or allay fears regarding their jobs. These employees were

either more anxious or depressed than employees in organisation 2. They also felt that they had lost confidence in themselves, felt inadequate and were constantly under strain. Furthermore, they expressed a stronger propensity to leave the organisation.

“...I am very uncertain about my future here and very stressed about it...it creates a lot of stress for me.” (Organisation 1, Admin)

“...the manager of my department knew one of my colleagues and walked into our office and said, 'so have you found a job elsewhere? Have you been looking for jobs elsewhere?' I mean this is the manager of your department he is part of the management so imagine how scary and frustrating it is; not knowing if he is indirectly telling you that you are going to lose your job and that you should have already started looking for other jobs?” (Organisation 1, Sales negotiator)

Although majority of interviewees in organisation 2 felt an increased uncertainty about the future existence of their jobs, some did not see this as a threat even though they could end up losing their jobs. Employees that displayed high job uncertainty felt the outsourcing process led to a turnover in employees and uncertainty about the new roles they now have to take on due to lack of information.

“...the recent changes demand more work time, it requires we carry additional duties and responsibilities with limited resources, forcing us to choose work obligations over personal commitments.” (Organisation 2, Maintenance)

This role overload without the necessary resources or skills to perform them left them feeling not in control and they feared that soon their jobs may be next to be outsourced. The increased ambiguity and lack of control was noted to have a psychological toll on these employees and promoted behaviours that decreased motivation, engagement, and productivity. On the other hand, some employees felt the outsourcing process helped them broaden their career path by giving them an opportunity to learn new skills on the job. These employees felt

excited at the ability to discover new technologies, gain new responsibilities, and work on new aspects of the field hence they felt more secure about their jobs.

“...I was very satisfied with my job prior to outsourcing. Though, outsourcing has forced me to carry out more tasks...it is a good experience, I am learning more and improving my knowledge.” (Organisation 2, Rics Valuer)

In both organisations employees with low skills, low pay and less flexible jobs or strained relationships with managers and co-workers felt more insecurity than high-skilled ones. As previously observed, employees in both organisations adopted similar strategies to cope with the difficult feeling of job insecurity such as: limiting time invested in work, talking to supportive people and persistence. By limiting the amount of time invested in work, employees felt more control as they put less effort into work; they also tended to not be interested in some work-related issues and therefore reduced attachment to the organisation. Overall, outsourcing was seen to have a negative impact on majority of employees in both organisations and outsourcing as a threat to employees' job security can be detrimental to the perceptions employees have of the organisation and commitment levels.

d. Turnover Intention

Under this theme majority of employees felt an increased desire to leave their organisation to escape the complex outsourcing experience. Employees felt the outsourcing process was not only a violation of psychological contract, but it was also an indication of lack of organisational support. Majority of employees in both organisations felt that while the outsourcing process led to losing some of their colleagues, and increased job roles it further led to diminution in morale, frustration, exhaustion and feeling unappreciated among remaining employees. In organisation 1, majority of interviewees felt the process made them

less interested in their job and the reward did not compensate for the difficult experience hence they would not mind leaving if they had alternative employment options.

“...If by now we still do not have a clear reason why they did that [outsourcing]...then it is dangerous working here...honestly I think we should all just develop ourselves well and be prepared to leave...I honestly feel that I am just wasting energy because these people are heartless.” (Organisation 1, Sales Agent)

“...Obviously, I can't trust that the management will make decisions that encourage my progress or are in my best interest not even pay wise, yes though I still work there, I should look for other means to improve myself and to progress especially career wise and if I can find this opportunity elsewhere, I will not hesitate to go for it.” (Organisation 1, Sales Negotiator)

“...At the time (of outsourcing) I didn't feel motivated to do anything. I'd just come in and, I don't know, it's not, I can't say you are upset when you come to work, but you're just not motivated, and you don't really want to be there. Like, I want to come in late and get home ASAP, you know, I just don't think my job is secure here any longer” (Organisation 1, Lettings Agent)

While all interviewees in organisation 1 indicated reduced job interest, a majority indicated intent to leave. These employees had either less than four (4) years' experience, were younger or educated. In organisation 2 majority of interviewees expressed dissatisfaction with what they referred to as 'unreasonable' job roles; they felt the process led to the increase in hours spent at work due to the reduction in employee number. This negatively impacted their job satisfaction, increasing absenteeism and turnover intentions.

“...it's sort of expected that decisions will be made based on what's best for the Organisation even though that doesn't make the decisions right. However, I feel management could have handled the process better; they could have carried us along, made us aware of new changes such as increase in unreasonable job roles, longer working hours, changes in working space etc. Honestly, most of my colleagues have lost faith in management and when we discuss the process, the intention to leave always comes up.” (Organisation 2, Maintenance)

Similarly, in organisation 2, the majority had either less than four (4) years' experience, were younger or educated. Also, there were interviewees that felt despite their disagreement with

the outsourcing process they had to keep working with the organisation to provide for their family as the following comment reveals:

“Despite my negative perception of the outsourcing process, I do not intend to leave... I mean I must do what is best for my family. I am the breadwinner, having almost six (6) years with the company, so I decided to remain in my position.”
(Organisation 2, IT Support)

While some interviewees in organisation 2 felt they do not intend to leave the Organisation due to the benefits provided. They reported that the more time they had been with their companies, the better the incentives and benefits. These interviewees were more concerned with the medical and retirement benefits and future opportunities that their organisation may have to offer. As a result, they would rather work through any challenges that the outsourcing process presented.

“...The outsourcing did not impact on my desire to either stay or leave the organisation. My decision to stay or leave the organisation is driven by career growth and stagnation.” (Organisation 2, System Administrator)

“...I have good health benefits and substantial retirement that is based on the number of years of service that I put in. I also live very close to the organisation, and I currently have a job I do on the side.” (Organisation 2, IT Manager)

From the interviews, it was evident that individual and organisational factors affected turnover intentions. Individual factors included family breadwinner, household size, time spent in organisation, proximity to work, level of education and opportunities provided by the organisation. Older employees and bread winners were less likely to leave their positions.

The longer an employee had been working in their organisation and the more educated the employee is, the greater the incentives and benefits. Employees who are the breadwinners indicated avoiding the possibility of loss of income and the risks associated with seeking new employment. Also, majority of educated employees interviewed indicated an increase in

turnover intentions as they felt with their education they have access to more job opportunities. Figure 5.4 shows an overview of survivor's response and coping strategies to the theme 'survivor's response to outsourcing'.

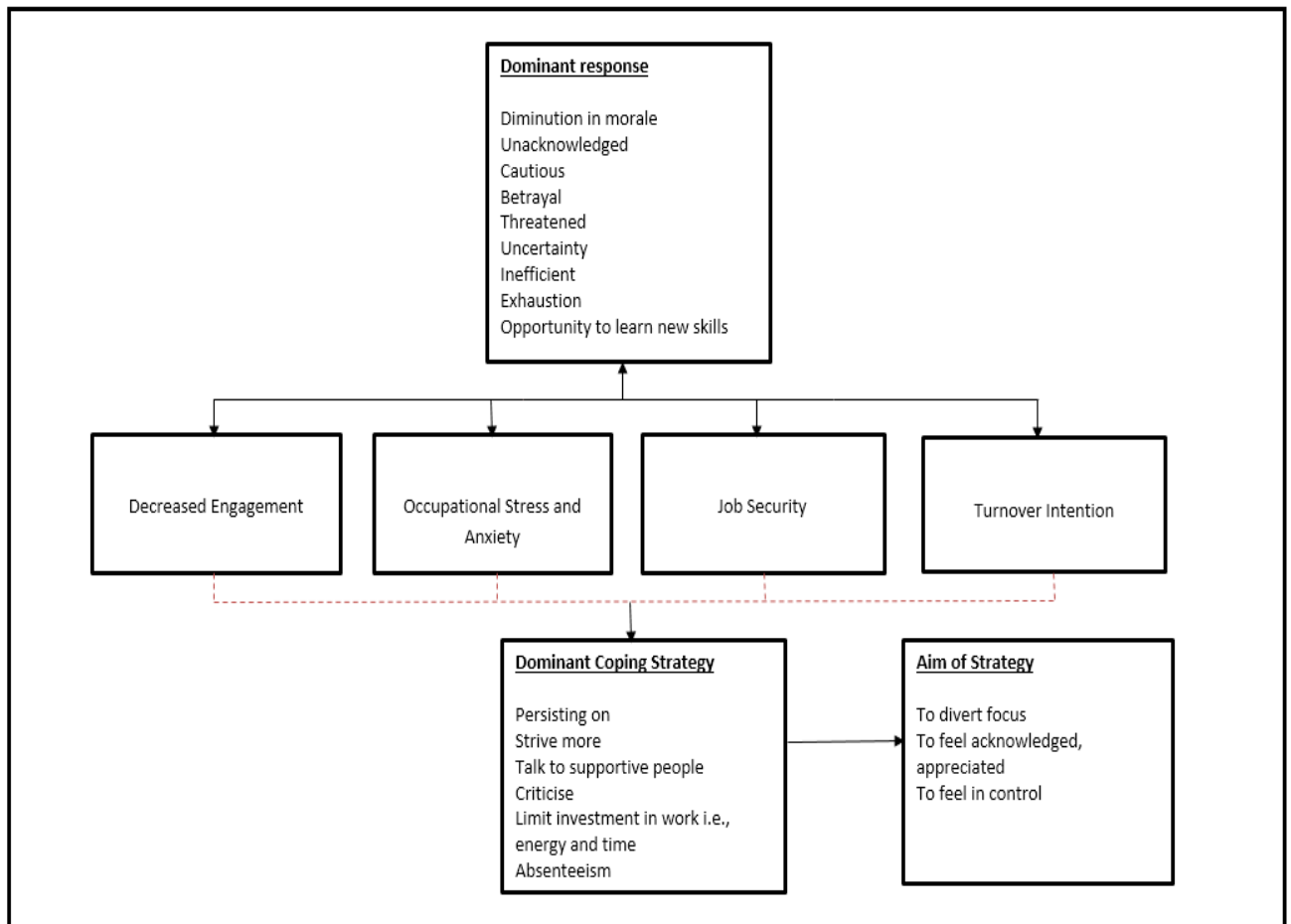


Figure 5.4: Overview of survivor's response and coping strategies to the theme 'Survivor's response to Outsourcing'

Overall, the perceived lack of organisational support for majority of the employees in both organisations increased turnover intentions. To cope with this challenging work experience employees adopted strategies such as: limiting how much time or energy is spent at work, attacking the organisation, absenteeism to re-establish power, detachment by cutting off

feelings, and persisting on. By limiting how much time and energy is spent at work employees could invest elsewhere diverting focus from the difficult work experience. Although this led to employees being indifferent towards the organisation, it helped to manage dwindling morale, exhaustion and the feeling of being unappreciated.

By attacking the organisation, some employees were more critical to office practices, disrespectful to superiors or other colleagues. By absenteeism, employees felt they could re-establish some power and control therefore they took extended sick leave. By cutting off, employees felt resigned to the situation; they were indifferent and detached towards the organisation. While these strategies gave a temporary relief, nothing changed in regards to the reality of what was happening. A more detailed breakdown of the survivor's dominant response and coping strategies to outsourcing is outlined in Tables 5.7 and 5.8.

Table 5.7: Dominant Employee Response to the theme ‘Survivor’s Response to Outsourcing’

Organisation 1		Organisation 2	
Dominant Response from employees	Count of Responses	Dominant Response from employees	Count of Responses
Diminution in morale	9	Diminution in morale	13
Uncertainty	8	Undervalued	12
Cautious	9	Inefficient	15
Unacknowledged	9	Unacknowledged	15
Exhaustion	10	Exhaustion	16
Threatened	9	Threatened	10
Inefficient	9	Opportunity to new skills	5
Total number of participants interviewed	12	Total number of participants interviewed	18

Table 5.8: Dominant Employee Coping Strategies to the theme ‘Survivor’s Response to Outsourcing’

Organisation 1		Organisation 2	
Dominant Coping strategies	Count of Responses	Dominant Coping strategies	Count of Responses
Persisting on	9	Persisting on	9
Talk to supportive people	9	Talk to supportive people	15
Criticise	4	Criticise	14
Limit investment in work	10	Limit investment in work	16
Absenteeism	9	Strive more	5
		Absenteeism	9
Total number of participants interviewed	12	Total number of participants interviewed	18

5.3.4 Psychological Contract Effect

The mode of operation of the psychological contract comprises of beliefs aside from those entirely based on promises and extends to beliefs about obligations (from the individual’s perspective). This is important for understanding what effects organisational experiences have on how individuals perceive the psychological contract and violation. Participants believed that there was a violation of their psychological contract. When talking about the outsourcing carried out by the organisations, the experiences described by participants largely focused on how their employment exchange beliefs were either being fulfilled or unfulfilled by the organisation. Within this theme employees emphasised how they felt complicated work experiences such as the outsourcing affected the perceived psychological contract as indicated in the following statement:

“Well they have an obligation to see me progress, so obviously if I’m doing my job well, they have an obligation to me for me to do better and progress... especially noting that I have been very willing and putting in effort to be excellent

at my job, at least in my opinion, I don't feel the organisation has done its part in providing that platform for progress. And I can't really trust that it will because like I said it seems like they're just out for themselves."

It was evident from the interview that mutual loyalty, job security, support and development were important factors that contributed to the shaping of their contract. For example, participants were of the opinion that they have an obligation to be loyal to the organisation and be good representatives of the organisation. They also expect loyalty, reward, recognition, stability and security from the organisation. This was reflected across both organisations as is shown by the following statements:

"...they expect me to do the job well, to be active, erm, to use my erm, initiative, yeah and just perform the task that I've been given you know... There's also the thing of confidentiality that comes with the job so you're not allowed to discuss client's details.... basically to be a good representative of the organisation... Yeah." (Organisation 1, Admin).

"Like I said, I expect some level of job security. I expect some level of loyalty from the organisation... so I would expect the organisation to look out for me and keep me up to date with what is going on within the organisation and not put me in a position where I can come to any harm. I also expect my efforts to be recognised and rewarded... I also expect progress in some sort of way..." (Organisation 2, Letting Agent)

This suggests that the employees perceived their contract to be more of a relational and balanced contract in line with Rousseau (2000). Even though the individual's perception of the psychological contract is characterised by the perception of mutuality and not in essence mutuality and the employee and employer may not have the same understanding or interpretation of the psychological terms, going by the definition of Rousseau (1989). It is considered a violation of the psychological contract when an employer fails to respond or recognise the employee's contribution in ways the employee believes they are required to (Rousseau,1989), it can therefore be argued that a violation did occur as described by the

participants. The participants also indicated a change in their perception of the employment relationship as a result of the psychological contract, hence a change in their psychological contract.

“Definitely it has. Of course...it’s definitely affected my expectations. I sort of feel like the company, erm, (pauses) is out for themselves... So, I don’t feel like they’re...obviously I’ve got a job to do but at the same time, they’ve got an obligation to me as well but I sort of feel as if that is sort of changed now. So my expectation is just, okay, I do my job and I get paid and probably just leave it at that really. I guess it’s also very important for me now to know or should I say expect that things can change at any point.” (Organisation 1, Lettings Agent).

From the interviews, it was evident that a violation of the psychological contract played a significant role in employees’ behavioural, attitudinal and cognitive outcomes in their organisation. Furthermore, these outcomes were significantly influenced by the various socio-cultural experiences of the employees. Two (2) significant themes emerged that uncovered issues relating to psychological contracts.

a. Obligations of Organisation

From the interviews, majority of employees felt that their organisation did not fulfil their obligations i.e., clearly defined job roles, opportunities for career growth and development. Employees also felt that the more organisational changes such as outsourcing they experienced, the greater the disruption the psychological contract. In organisation 1, majority of employees felt that the organisation did not meet their expectations and it negatively affected employees for example, employees developed negative attitudes towards the job, the organisation, and their relationship with it; such as: lack of commitment, reduced job satisfaction and a growing intention to terminate the employment relationship. The following comments were the general view of employees:

“...the sudden outsourcing process was an eye opener to how much we employees are lacking. I for one had expectations that if we play our parts and go the extra mile, we will be rewarded at least with a pay rise, not have some of my unit functions outsourced.” (Organisation 1, Sales Agent)

“...I guess not doing things like we use to 3 - 4 years back may have helped shape the expectations of some old employees in my unit and the stories of those period helped shape the expectations of younger employees. I say this because of things I hear, the side comments and lack of enthusiasm towards projects, late deadlines etc., and of recent the outsourcing.” (Organisation 1, Maintenance)

Similarly, in organisation 2, majority of employees indicated their expectations from the organisation were not met. For example, they felt that the organisation did not provide them with avenues for progress and development to meet the ever-changing market neither did they receive adequate support for meeting increasing and changeable performance requirements. Some felt that with the number of years in service and amount of work they have put in they should have received a pay rise. These perceptions of violation resulted in negative behaviours such as; reduced effort on the part of employees, cynicism and reduced work commitment.

“...It was meant to be a place where I can contribute as well as grow at least that what I expected, for over 3 years I have drained myself by applying myself to growth of the Organisation, yet I haven't been given a single training opportunity.” (Organisation 2, IT Support)

“...I expect a working environment that is supportive...that can help you, direct you in proper utilization of your skills for the job. Most importantly, I expect that my employers would encourage my professional development through various training.” (Organisation 2, Sales Negotiator)

Some employees felt that managers are often unavailable and when they are in they do not give constructive feedback to help them develop in their job and career.

“...probably more feedback, feedback is a big one...it is because you want to make sure you are doing the right job.” (Organisation 2, Maintenance)

Overall, in both organisations, employees relate the inability of their organisation to meet their expectations based on perceived promises as a violation. This triggers an emotional response and provokes primitive reaction i.e., negative attitudes and behaviours, deep resentment, morale indignation, ego depletion and altered perception of the organisation and their employment relationship. However, the expectations of employees are dynamic and regularly forming even before they begin working for an organisation. These expectations are developed from inner needs, social and cultural values, traditions and norms, past experiences (of both individuals and close family members) and a host of other sources, in relation to organisational experiences. These expectations have ‘obligations’ and ‘compelling’ qualities and either they are fulfilled or not, they operate powerfully and determine the employee’s behaviour. When these expectations are matched in line with the rule of mutuality and reciprocity, psychological contract fulfilment occurs. However, when these expectations are unfulfilled, it can result in a violation of the psychological contract as is the case in the two organisations.

b. Socio-Cultural Factors

Within this theme, employees felt that the dynamics of socio-cultural interactions in their organisations significantly influenced how they perceived the psychological contract and overall experience of work. Employees indicated to have externally formed ideas of what the work experience should be and these ideas added with the ideas developed from the bonds/interactions formed in the organisation help form their perception of work experience. Majority of employees in both organisations felt “religion – faith in a supreme being, previous employment experience, social networks, experiences of family members, cultural values and media” have shaped their perception over time regarding the work environment.

“...Growing up I have always felt a bit of dread about going into the big world of work and fitting in with experienced people whichever field I work in as a result before I started working, I already had an idea of what to expect in a work environment.” (Organisation 1, Database Administrator)

“...I simply just expect the organisation to treat me properly. I think it is important to be treated fairly and to be respected at work, but that works the other way too. I have to respect my colleagues and treat them fairly too....in my culture we have sayings that do to others what you want them to do to you...quite simple.” (Organisation 2, Sales Agent)

Educated employees interviewed did identify their education as a contributing factor to how they experience the work environment.

“...I mentioned before that my aim was to gain experience in property management and knowledge in letting and mortgaging. I have hopes to move abroad and go into hotel/holiday home management, but I wanted to start my career by solidifying the knowledge I gained at university by putting the theoretical principles I learnt into practice. So, my hopes were to gain basic understanding of the intricacies of how the business operates as a good foundation for the goals I hope to achieve. Also, I wanted to work in an environment where I could learn and know that my contribution and efforts would be useful. It is very important to me to be able to make positive contributions.” (Organisation 2, Sales Negotiator)

Few participants expressed that their religion has been of great assistance in dealing with difficulty at work. The reliance on religion, the belief in a Supreme Being, creator or deity helped them overcome unpleasant situations and this was evident during the interview. In organisation 1, a participant with this view expressed that faith in God helped her to overcome the challenges of the outsourcing event and invariably influenced her attitudinal responses and reactions.

“...So I will say that my religion and faith in God played a vital key in keeping sane within that period.” (Organisation 1, Sales Negotiator)

In organisation 2, few employees indicated that their religious values significantly influenced their reactions to the outsourcing process and its aftermath. It was evident from the interviews that this was stressed as being very strong by making people see things from the positive side as religion teaches good virtues and subordination to authorities.

“[talking about response to the outsourcing process]...being a Christian in the first place erm... will guide and control you not to disobey the law or put yourself in a difficult situation” (Organisation 2, Sales Negotiator)

“...because my religion tells me that whatever job you are doing, do it as unto to God so that’s the principle I work with” (Organisation 2, Lettings Agent)

“...when you remember God’s promises in the bible for his people, you tend to keep calm and believe that everything happens for good” (Organisation 2, Lettings Agent)

Table 5.9 and 5.10 gives a more detailed breakdown of the employees’ response and coping strategies to obligations of the organisation and socio-cultural factors.

Table 5.9: Dominant Employee Response to the theme ‘Psychological Contract Effects

Organisation 1		Organisation 2	
Dominant Response from employees	Count of Responses	Dominant Response from employees	Count of Responses
Disappointment	7	Exhaustion	14
Fear	11	Disappointment	15
Doubtful	10	Fear	16
Keenness/Eagerness	11	Keenness/Eagerness	10
Indifference	4	Doubtful	9
Religious values	2	Indifference	6
		Religious values	3

Table 5.10: Dominant Employee Coping Strategies to the theme ‘Psychological Contract Effects

Organisation 1		Organisation 2	
Dominant Coping strategies	Count of Responses	Dominant Coping strategies	Count of Responses
Persisting on	9	Persisting on	9
Talk to supportive people	9	Talk to supportive people	15
Attack/Criticise	4	Attack/Criticise	14
Limit investment in work	9	Limit investment in work	16
Strive more	7	Strive more	8
		Cynicism	6
Total number of participants interviewed	12	Total number of participants interviewed	18

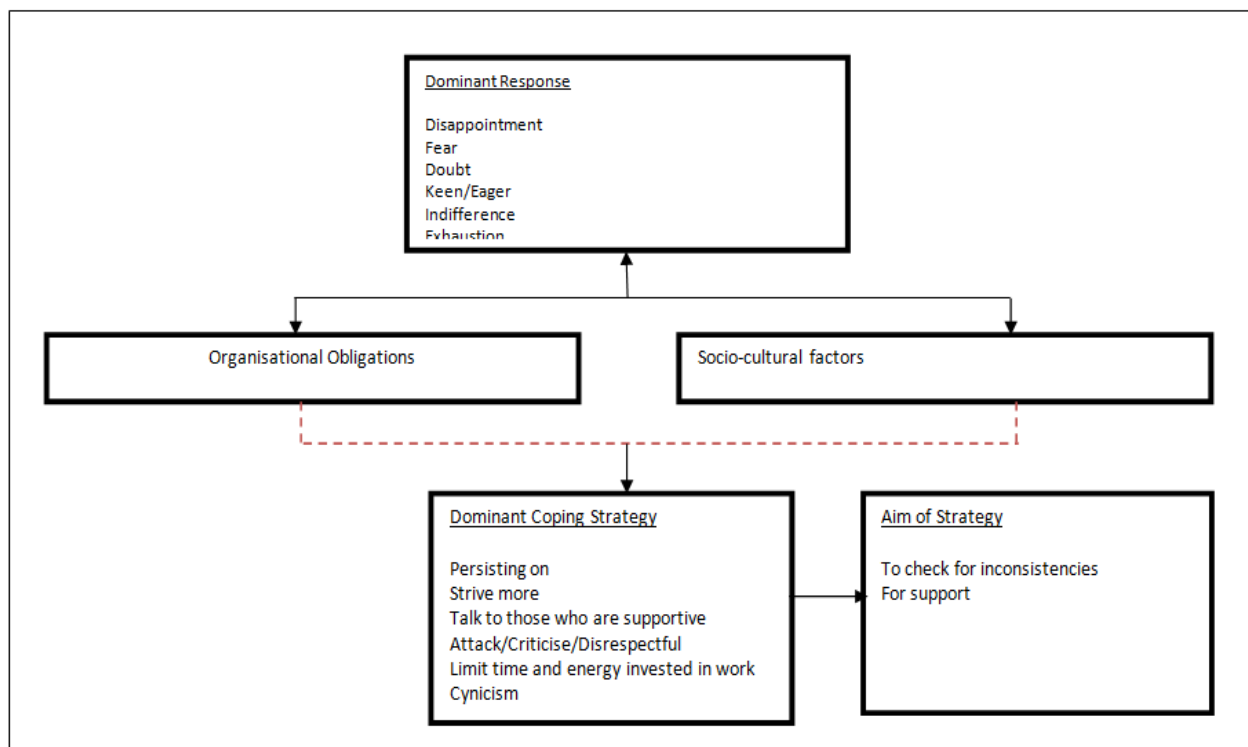


Figure 5.5: Overview of employees’ responses and coping strategies to the theme ‘Psychological Contract Effects’

5.4 Conclusion

The overarching aim of this research is to better understand outsourcing in the real estate service industry and explore its impact on the survivors' psychological contract. Content analysis was used to obtain detailed information on employees' perception of the outsourcing process. In addition, content analysis was used to consider the broader socio-cultural factors, which shapes the employee's (as an individual) perception and overall organisational experience. As noted in chapters two and three as well as in the case study organisations, outsourcing can be a strategy employed by organisations to gain competitive advantage such as increase profits, save costs, allow flexibility in moving to new domains etc. It also has the possibility of negatively affecting employees such that it is considered a 'unilateral violation of the psychological contract', a notion understood to mean that the organisation has not met its obligations within the psychological contract.

Overall the findings from each theme provided an understanding of the employment relationship by describing the different ways in which employees made sense of and acted upon the outsourcing experience. The tables showing the dominant responses and coping strategies and number of responses per theme of the entire sample was also very valuable in showing how employees felt in agreement or disagreement to the experience. From the interview data, four main themes and eleven sub themes emerged. The overview diagrams were also very valuable in illuminating how it is important to see the whole context in which the employees react to the process and how by showing the dominant reactions from employees, richness and complexity which comprise the psychological contract can be seen.

The themes represented the frequent concepts that cut across majority of interviewees. These themes offer an understanding of the impact of outsourcing on employees', and how this has affected their perception of the psychological contract and further gives a broader view of how employees' experience difficulties at work. From the findings six (6) dominant employee responses were present across the four (4) main themes. These are summarised as follows:

- Employees are undervalued, unacknowledged
- Employees are exhausted, stressed
- Employees are threatened, scared and uncertain about their future in the organisation
- Employees experienced diminution in morale, and doubt/lack of trust in the organisation
- Employees are insignificant and inefficient
- Angry

The responses from the themes represent the overarching dominant experiences that employees of both organisations described. They offer an understanding of how different employee responses are formed by the daily interactions with colleagues and the organisation, capturing the 'core pain' of employees, which in this case can be summarised as 'undervalued'. The general view is presented as 'management taking away employees and functions with no detailed or obvious backup plan for survivors'. These feelings were intensified for employees with less educational qualifications who had also been part of the organisation for over four (4) years as they felt a sense of psychological partnership with the organisation, but now feel betrayed. Furthermore, employees felt that their hard work did not

bring about praise and acknowledgment from management who are perceived as 'inconsiderate'.

In addition, due to lack of transparency and poor communication throughout the outsourcing lifecycle, there was limited support for the process. This served to add to the difficult organisational experience. By using in-depth interview data collection method and implementing content analysis, the researcher could capture not only the frequency of concepts but also the attitudinal and behavioural responses. This provided the researcher with a detailed understanding of how the relationship between management and individual employees overtime serve to impact feelings and behaviours in the present. From the interviews it was also evident that although all employees experienced the same dominant responses, some could deal with the difficult experience due to their position and pay.

The employees coping strategies were invaluable in demonstrating how this type of organisational experience is dealt with and played out. The overview diagrams show the relationships between dominant responses and coping strategies i.e., attempts by employees to deal with difficult relationships at work. From the data, five (5) dominant coping strategies were identified and were common to all the main four (4) themes, these being:

- Persisting on
- Talk to supportive people
- Limit investment in work
- Attack/criticise
- Religious values/leave it to God

Additional coping strategies were identified. However, these were specific to certain themes: absenteeism was specific to survivor's response to outsourcing and inconsiderate management, this may be due to its significance to 'perceived lack of organisational support, this will be further discussed in the next chapter; cynicism was specific to psychological contract and socio-cultural factors. These coping strategies could be related to the job carried out by each employee, the particular categories of employees (e.g. how long they have been with the company), and/or the power that they have to influence the outsourcing process, possibly indicating that there are occupational work group differences in how employees respond to the psychological contract. This shall be further elaborated in the next chapter.

The aim of this chapter was to present the findings as analysed using content analysis. Each theme and their sub themes were presented individually in order to learn how employees respond to a difficult organisational experience. Finally, analysed data from all themes/sub themes were presented to characterize employees' response to outsourcing in the real estate industry.

CHAPTER 6

DISCUSSION

6.1 Introduction

This study has addressed the aims and objectives indicated in Chapter Three by paying attention to the importance of the context where meaningful relations between employee – organisation and employee – employee are developed. It has also examined how the outsourcing process impacts on employees' psychological contract, including its violation. In chapter five the findings showed that the outsourcing process had varying impacts on the employees. While the majority of the employees expressed that the outsourcing process influenced their perception of the psychological contract negatively, some employees however indicated that their perception of the psychological contract was unchanged or even positively influenced. Also, it is shown that the employees' perception of the psychological contract is best understood in how they perceive, respond and act upon the outsourcing process, which this study categorised under dominant responses and coping strategies.

These dominant strategies cover the employee's perception of the organisation which is exhibited through their feelings, motivation, attitudes and behaviour as well as the socio-cultural factors that impacts upon the employee's perception of the psychological contract. This chapter discusses the findings and the implications that resulted from the analysis of the data based on the research question identified in Chapter three. This will include a detailed discussion on the dominant responses and coping strategies and their implications. The chapter also shall build on existing theories of obligations and promises as discussed in the

literature review to better understand the effects of outsourcing on the employees' perception of the psychological contract, hence meeting the objectives of the study and addressing the research question.

6.2 Impact of Outsourcing on Psychological Contract

The research question addressed the impact outsourcing has on the psychological contract of employees who have survived the experience. This question is particularly pertinent since the employees' dominant responses indicated a perceived violation of the psychological contract which affected majority of employees' attitudes and behaviours. This is in line with previous studies (Rousseau and Greller, 1994; Guzzo and Noonan, 1994; Schultz and Schultz, 2015; Abdullah, 2017). It was evident from the findings that the process of going through a difficult organisational experience such as outsourcing can be emotionally challenging and considered a violation of the psychological contract as employees felt threatened, angry, uncertain about the future, and a lack of control. According to Morgan (2009) this results in employees feeling anxious, stressed, unappreciated and undervalued.

Outsourcing and its impact on the psychological contract is important to both research and industry because of the evolving employee – employer relationship in today's real estate labour market, especially as the real estate/service sector's sourcing issues focus on outsourcing, contracting, and other strategic processes to improve productivity and cost saving. Hence, in response to the research question the impact of outsourcing on employees' perception of psychological contract was evident in the survivors' responses and shall be discussed under: job satisfaction, increased level of stress, increased turnover intent and contentment/discontentment with the process.

a. Job Satisfaction

From the study, it is evident that in both organisations outsourcing played a negative role in the job satisfaction of majority of employees. Though majority of employees gave a number of reasons expressing their dissatisfaction with outsourcing, all employees associated job satisfaction with how well their expectations of work are in line with outcomes they get. Employees indicated that if employers met their promises and obligations to them they will be satisfied with their jobs. In the organisations, job dissatisfaction among employees after the outsourcing process was linked to pay and benefits, deskilling, lack of role clarity, work overload, uncertainty and reduced engagement. This impact was perceived as a violation of the psychological contract and further decreased the job satisfaction among majority of employees. The coping strategy that highlights the embeddedness of the psychological contract and how outsourcing influenced its perception was ‘talking to supportive others’. This strategy shows the impact it had on creating bonds between individuals and within groups, and how these contributed to the maintenance of the psychological contract.

The difference between what majority of employees expected and what they received was a major source of dissatisfaction. Contrary to the majority, some employees reported no effect on their job satisfaction level even after the outsourcing process took place. However, it was evident that these employees were more concerned with the incentives and benefits provided by their organisation as well as their time in service with the organisation. As these employees however did not indicate an increase in their job satisfaction, it can be argued that these employees have developed reasons for tolerance which in itself can be a strategy of coping in the outsourcing aftermath. In support, Zopiatis *et al.*, (2014) noted that job satisfaction is

based on employees' opinions of their work environments. Job satisfaction helped shape the employees' perception of the psychological contract in relation to the outsourcing process. Hence it can be said that employees may be more satisfied if there is a greater similarity of employee traits and the work environment; such as if the employees' abilities are appreciated, acknowledged, rewarded or if there is a fit with available resources, values, and physical conditions of their working environments. The impact of outsourcing on the employees' perception of the psychological contract is negative when they are dissatisfied or when the working conditions do not match those that were desired.

According to Yang *et al.*, (2008), lack of personal preference and unfavourable working conditions lead to greater job dissatisfaction. This supports the interview data that IT personnel especially those with more experience felt that their expertise makes them 'immune' to their roles being outsourced. Which is supported by studies (Report Employment, 2017) indicating that due to the recent shortage of IT Tech support talent and the 'not so' complex nature of IT expertise required in small-medium real estate organisations, these organisations with 'experienced enough' IT employees prefer to keep their IT services in house, at least until some major change i.e., expansion, migration, take - over etc. In the context of job satisfaction, understanding the employee – employer working condition can provide organisations with a clear view of employees' perceptions of their work environments.

b. Increased stress

The interview data indicated that majority of employees developed a negative perception of the psychological contract due to the increased stress they experienced during and after the outsourcing process. In many instances, the stress experienced was due to the fear of job loss, reduction of work responsibilities or uncertainty of their future at the organisation. For example, even though job loss in organisation 1 occurred within the second phase of the outsourcing while job loss in organisation 2 was in the first phase, employees from both organisations expressed fear and job insecurities. However, employees in organisation 2 may have felt a little more confident as the second phase of the outsourcing was not associated with job loss, compared to employees in organisation 1 who were not expecting the job loss in the second phase of the outsourcing after the first phase was not accompanied by job loss. For others, the potential impact of major organisational changes caused a great deal of stress. The employees reported increased working hours, taking on extra roles as a result of letting some employees off. This extra workload placed high demands on employees, resulting in stress hence a negative perception of the psychological contract. Also, from the interview data, majority of the employees indicated that the outsourcing process was not handled properly. The coping strategy adopted by employees that highlights the embeddedness of the psychological contract and how outsourcing influenced this perception was 'limiting time and energy invested at work'. By doing this, employees invested their time and energy elsewhere, such as in family or other private businesses in an effort to obtain relief from difficult feelings as a result of the outsourcing experience.

The study noted that the employees experienced significant stress during the outsourcing process. The findings in relation to the research question are supported by the literature review on outsourcing, work related stress and the psychological contract presented in Chapter 2 (Bocchino *et al.*, 2003; Hodari *et al.*, 2014). Some employees expressed having experienced higher levels of stress on a more regular basis. These variations can be as a result of individual employee perceptions, expectations, and desires. As noted in various studies (Khosrowpour *et al.*, 2011; Conley and You, 2014; Belias and Koustelios, 2014), the working conditions were more stressful because the workers' views and expectations differed from the actual outcomes. Many of the employees expressed their desire for the organisation not to outsource in-order to avoid the stress of potential job loss, increased workloads, and ambiguous job roles. The employees' responses supported the view that the misfit between an employee and his or her organisation can cause stress significantly (Warr and Inceoglu, 2012).

When employees experience stress, they are unable to successfully perform their jobs. The Research Question focused on whether the impact of outsourcing affects the employees' psychological contract. The interview data suggests that employees viewed unnecessary stress as a violation of the psychological contract. Through the analysis of the interview data it was obvious that employees perceived the increased stress was as a result of the outsourcing process and in-turn a violation of the psychological contract. This finding is consistent with Schultz and Schultz, (2015), that a person's compatibility with the work environment can influence work-related stress.

c. Turnover intention

From the interview data, majority of employees in both organisations expressed high turnover intentions due to their perception of the psychological contract caused by outsourcing. This majority reported that the outsourcing process does not provide them with benefits and opportunities for advancement. It was noted that employees experienced difficulties such as increased job roles, diminution in morale, frustration, exhaustion and feeling unappreciated hence they adopted a coping strategy of ‘limiting how much time and energy they invested in the work’ and others sought to ‘strive more’ as a means to be recognised and acknowledged. It was also noted that employees with low turnover intentions were attracted to the medical and retirement benefits and future opportunities that their organisations may offer.

From the interviews, it was evident that the more established employees chose to remain with the organisations and were less likely to leave. According to Chen *et al.*, (2011), employees are likely to remain with their organisations when their expectations are met. However as stated by Okanlawon, (2015), employees will tolerate challenges in the organisation when they are interested in their jobs, as was observed in the case of these particular employees. This finding opposes existing arguments (Farncombe and Waller, 2005; Khosrowpour *et al.*, 2011; Rajee and Hamed, 2013), that outsourcing can result in significant turnover in the service sector because employees’ jobs are put at risks. Through the data analysis carried out in this study it was noted that experienced employees had low turnover intention even though there was the risk of: losing their jobs, increased workloads and ambiguous job roles during the outsourcing process as the employees’ years in service, wants, needs and age contributed in their decisions to stay. This indicates that irrespective of employee job dissatisfaction other

personal individual factors can influence decision to stay. These employees are forced to find strategies to cope. The employees felt they were entitled to better pay and benefits and this influenced their decisions to stay. The analysis also revealed that the general negative impact of the outsourcing process on employees' perception of the process did increase the turnover intention of the employees as more of the interviewees with lesser years in service felt they could have better opportunities elsewhere.

d. Contentment with process

While majority of employees indicated that outsourcing negatively impacted their perception of the psychological contract, a few employees indicated outsourcing was a positive experience and still had positive perception of the psychological contract. The strategy that highlights the embeddedness of the psychological contract and how outsourcing influenced this perception was 'strive more' and 'persisting on'. It was apparent that the employees had positive views about their chosen career fields, including the responsibilities, capabilities, and specialized technical skills and knowledge that go along with being an experienced employee. This could be as a result of various factors. For example, studies have suggested that an individual's internal interpretations, pre-dispositions and constructions have a bearing upon the perception of the contract (Sparrow and Cooper, 1998; Westwood *et al.*, 2001), including personality type (Raja *et al.*, 2004; Tallman and Bruning, 2008), exchange and creditor ideologies (Coyle-Shapiro and Neuman, 2004; Roehling, 2008).

In addition to the incentives and benefits provided by their employers, these particular interviewees were driven by the ability to be challenged, learn new skills, and work independently. The interview data indicated that these employees were content with the

outsourcing decision and felt it will provide an opportunity to acquire new skills and responsibilities to grow in their career. According to Hall *et al.*, (2012), certain employees enjoy working in positions that require them to handle activities that require continuous updating of skills, meeting strict deadlines, and exhibiting productivity, while maintaining job success. Even though the outsourcing led to a change in the nature of work of these participants, they did not feel that the negativity of the outsourcing experience impacted on them enough to change their perception of their employment relationship.

In support, Hardin and Donaldson, (2014) suggest that the employees perception of the psychological contract contributes to their behaviour and attitude in the organisation. Although the above discussion is able to provide a very useful understanding of how the outsourcing process influences both the perception of the psychological contract and its violation, it still only offers a partial understanding of what really impacts upon employee behaviour. It was evident from the interview data that it is impossible to fully understand the experience of psychological contracts and its violation without an insight into the influence of socio-cultural factors on employees' response and coping strategies.

6.3 Impact of Social Cultural factors on Psychological Contract

Findings from the study revealed that the socio-cultural factors associated with the employee – organisation relationship had an impact on how the employees experienced the psychological contract and responded to its violation. These socio-cultural factors; family, cultural values, belief system, religion, previous employment experience, social networks and media were considered as both processor of information and sources of influence on attitude and

behaviour. In addition, they influenced how employees experience the psychological contract. Also, the findings revealed that the social understanding or perception about organisational processes and attribution about the causes are found to vary across cultures and such variation in understanding contributes to how psychological contract is perceived and explained when a violation occurs in the organisation. This is in line with Thomas *et al.*, (2003) that socio-cultural factors influence the individual perception of psychological contract based on the notion of social cognition or motives in social exchange relationships.

The interviewees comprised of a very diverse set of people with different cultural backgrounds. Culture has a direct influence on individual's perception (Searle 2014). This is a dominant factor that can influence and shape the perception of employees. For example, employees with the individualist cultural background may have been taught to be self-reliant and self-independent from an early age in order to take care of themselves and their immediate family (Kieser, 1994; Hofstede, 2001). This can explain why some employees may choose to remain working with their organisations despite feeling unacknowledged and undervalued, out of the need to take care of self and their family. This can serve to maintain the employee-employer relationship irrespective of whether individuals were happy or not.

This notion is supported by existing literatures (Rousseau and Schalk, 2000; Mikucka, 2014; Schultz and Schultz, 2015). These imperatives to self-independence and self-reliance have a direct impact on what employees are willing to tolerate to maintain these cultural norms. This finding further supports Loquerico (2006) who suggests that employees stay committed to their current jobs securing their benefits and salaries because the cost associated with losing

their jobs may be too high. In addition, though working in the private sector in the United Kingdom brings less secure employment, fewer retirement plans and variable working hours, in most cases it pays better salaries than in the public sector. Consequently, the better pay in the private sector is highly valued by the individual striving to be self-reliant and self-independent. This may further explain why some employees may choose to remain with the organisation.

Also, employees with the collectivist culture tend to desire to belong in groups that take care of them in exchange for loyalty. This can provide an explanation for why some employees emphasised on loyalty as a measure of violations of the psychological contract. These employees may also choose to remain in the organisation because of the groups or sense of belonging that has been built over the years with the organisation in exchange for loyalty, despite feeling undervalued or unappreciated. Consequently, they adopted the ‘persisting on’, ‘talk to supportive people’, ‘limit investment in work’ and ‘attack/criticise’ coping strategies as this helped them stay focused on work. Also, within both organisations some did express a certain level of ‘fulfilment’ in helping people get a place to live in their dream homes.

An inextricable component of culture is religion, and this has a profound influence on people’s beliefs and attitudes. Previous studies indicate that the dominance of religious beliefs shapes attitudes and behaviours of its believers such as feeling and emotions through teachings (Byrne *et al.*, 2011). Also, Kim-Prieto and Diener (2009) suggest that religions across the world prescribe emotions for their followers and thus help to shape their feelings. For example, among Christians it is the feeling of love for others and among Buddhist it is the

subdued pleasantness. This implies that religion of an individual is incidental to shaping such person's attitudes including in unpleasant conditions. The teachings in places of worship that God is in control of all situations and that everything that happens is permitted by God provides a kind of moral, emotional and psychological stability. Hence there was strong sense from the employees that despite their unhappiness with the organisation, they were either grateful to be employed or felt a sense of resignation and remained patient, hoping for the best.

Another example is; though in the country less than fifty (50) percent claim to be religious, but for some employees with strong affinity to a religion it served as a factor which maintained the psychological contract and also served to minimise the experience of violation. By putting faith in a higher power, some employees seemed to sustain hope and manage their feelings of disappointment in more helpful ways than unhelpful ways such as 'limiting investment, criticising superiors or other colleagues'. The impact of religion on individual level dynamics was also noted in some interviews when few employees reported that rather than criticise their bosses they leave it in God's hand because they believe God appointed their bosses. Also, few also indicated that even though they felt that the organisation was not treating them fairly, they believed it was wrong not to work hard, and to remain an employee only for the monthly pay cheque. It could be said from the findings that using religion as a way to manage their organisational experience offered these employees at least temporary relief from more difficult and unmanageable feelings which may have led to anger and sadness.

A further influence of socio-cultural factor on individual level dynamics was the importance placed on family i.e., their support and past experiences. Such influences were evident from employees who whilst believing that the organisation did not reward them accordingly, nonetheless tolerated their negative organisational experience by maintaining the status quo, and coping by striving on. Clearly, what was seen as valuable and desirable (such as ‘a working man’) within the society was also shown to have an impact on how employees managed violation to their psychological contract. Despite some of these employees’ apathy towards their organisations, nevertheless they remained with it because their positions categorised them working and gaining them respect with their family and society. Therefore, the above factors such as the importance of family, religion, social status, and having an acceptance that some aspects are part of the ways people in a particular society think assisted in minimising the experience of violation for some individuals. The employee – employer psychological contract is really made up of a series of regular application of practices in an organisation, and these practices are influenced by the socio-cultural context in which it operates.

Despite the more recent rising employment rate in the UK and the growth in the real estate industry over the past five years, the revenue in the sector remains volatile (National office of statistics, 2017). Given the shift in the estate agent world at the moment, with online models becoming more prevalent, organisations within the industry are more driven to adopt strategies to compete effectively and improve profitability, this suggest that an employee may be grateful for a job. According to Germano (2010) these influences can be seen as contributors in determining how much employees are willing to tolerate and what strategies

they will adopt to deal with adverse organisational experiences. The ideas discussed above are also in line with existing studies (Hannah and Iverson, 2004; Datta *et al.*, 2010; Moran *et al.*, 2014), that culture will have an impact on how individuals respond to organisational experiences. In general, the findings presented above suggests that the definition of the psychological contract as an agreement between employee and employer is limiting and does not fully define it.

From this study, it can be noted that the relationships formed by employees are connected; therefore, feelings and experiences associated with the relationship will impact on how employees perceive interactions and the response of others within relationships. From the findings, it was evident that the outsourcing process left employees feeling unappreciated and consequently influenced how they responded to, and experienced the organisation. For example, lack of organisational support from the organisation resulted in majority of employees limiting how much time and energy they put into work in order to offset the difficult feelings resulting from feeling undervalued and unappreciated. Such feelings were intensified by personal sacrifices, such as working too late, working on days off, or missing important family events in an effort to meet deadlines. These findings indicate how different aspects of the individual's life are integrated and impact upon one another.

It is necessary to explore the socio-cultural factors that influence the responses and coping strategies adopted by employees to deal with the outsourcing experience. From the interview, it was evident that the differences in employees as individuals influenced the way in which they perceived and responded to the outsourcing process and that the psychological contract

was affected by a collection of responses that existed in the history and current lives of individuals. This suggests that some employees adopt familiar responses and coping strategies. For example, some employees showed forms of striving more, such that self-care was sacrificed to gain validation and approval in response to feeling undervalued. It could also be suggested that the need to be validated may also be an indication of feeling undervalued in other aspects of the employee's personal life. This shows experiences are connected and therefore important and cannot be disregarded in their potential for influencing an employee's response to the outsourcing process.

These personal aspects of the employees' life outside work also have an influence on how employees experience violations to the psychological contract. For example, it was noted from the interviews that employees who put family first, over work or employees who perceived their jobs as a means to meet other obligations or goals in their life (such as to educate children, buy a house) tend to exhibit more tolerance to adverse organisational experience than employees interested in career progression. Such an attitude was mainly noted by more established employees. This is in line with existing studies (Meckler *et al.*, 2003; Knabe and Ratzel, 2011) that the psychological contract is best understood by taking into account how different stages of life will impact on an individual's expectations and needs. For example, in organisation 1 the coping strategy 'indifference, hope for the best, God is in control' was evident in established less educated employees but was not present in younger employees. Indicating that less experienced employees with more educational background perceived themselves as having more employment options and did not feel 'powerless' to leave the organisation.

However, once again this response by more established employees cannot be fully understood without taking into account the socio-cultural influences. Various studies (Turnley and Feldman 1999; Shapiro and Neuman, 2004; Raja *et al.*, 2004) support the arguments that individual differences contribute to how the psychological contract is perceived. The findings above highlight that employees as individual have differences. Though this findings are limited in that while they are able to describe that such individual differences influence the psychological contract as well as the experience of its violation, they are unable to explain it. These individual differences cannot be excluded when considering the socio-cultural factors impacting on the employees' experience of the psychological contract. The above findings clearly highlight that the methods adopted to research the psychological contract are limiting. These findings only offer limited understanding of what influences how employees experience the psychological contract and its violation. In addition they do not fully consider the employee as an individual and the fact that a combination of various socio cultural factors influences how the individual perceives or interacts. They also demonstrate the importance of considering the context in which the psychological contract is operating.

Accepting this can serve to impact upon individual differences accounts for connections in employee relationships. Also, this explains how experiences in one relationship can have an impact on the employee's outsourcing experience and how they respond to a violation. Although existing studies are able to show how various factors impact on the psychological contract, they are limited in offering a detailed explanation of how such factors influence individual differences. Content analysis as implemented in previous studies (Vaismoradi,

2013; Neuendorf, 2016) show its validity, however content analysis as used in this study by considering the relations to employee behaviours and attitudes provides a much richer assessment of the employee as an individual and the organisation.

6.4 Applying Content Analysis to Psychological Contract

The study revealed that the use of content analysis to conduct research into outsourcing and the psychological contract was extremely helpful because its components i.e., the themes, sub themes and diagrammatic representations provided a more complex analytical tool and allowed for more in-depth understanding of the employee. This in turn resulted in gaining better understanding about the factors which influence employee perception and behaviour. These factors which are discussed next include; employee expectations, formation of the psychological contract, perceived promises and the dynamic nature of the psychological contract.

a. Employee expectations - From the findings it is evident that employees believed their psychological contracts were based on some unstated exchange agreement between themselves and the employer. Such an agreement involved a perceived promise for some future return in exchange for commitment to the organisation. This promise was believed to regulate the exchange relationship between the two parties. The belief is further fuelled by dominant definitions of psychological contracts (Rousseau, 2001; Conway and Briner, 2005; Zhao, 2007), and were used to explain a host of behaviours which cannot be captured as part of the definition, making the understanding and management of psychological contract more difficult. For example, explaining the notion of employee – employer commitment before and after a difficult organisational experience proved to be a challenge simply by using these dominant definitions of psychological contract because these definitions lay emphasis on

beliefs about promises and obligations and cannot effectively explain how certain factors affect the employees' perception.

Existing studies (Argyris, 1960; Levinson *et al.*, 1962; McDonald and Makinm, 2000; Miles, 2012; Dadi, 2012) suggests that components of the psychological contract such as promises, expectations and obligations which arise out of a number of complex and conflicting factors pre-dates the employee – employer relationship. For example, data analysis carried out in Chapter four showed that employees' perception of the psychological contract and its violation is made up of expectations (i.e., conscious and unconscious). It showed that employees form their expectations from their needs, what they have learned from others, socio-cultural factors that may be operating, their past experiences and 'a host of other sources'. This is in line with data collected during the interviews which indicated that the early pre-conscious origins of notion of the 'exchange agreement' may mean that although some aspects are open for interpretation, they are relatively out of conscious awareness.

Some studies (Dawson, 2003; Meckler 2003) have argued that modern approaches to 'employee expectations' should ensure that the conscious expectations in the employee – employer relationship be the focus. These studies suggest that the more contemporary definitions discern or downplay core needs crucial to the perception of the psychological contract and its violation. This is evident from the emphasis placed on explicit as opposed to implicit promises being more powerful predictors that influence the psychological contract and experience of a violation. In gaining understanding of this study's focus on outsourcing and the psychological contract the study shows that it is 'essentially a relationship'. Taking

into account contributing factors to the formation is required to obtain a better understanding of the contract and matters pertaining to its violation.

b. Formation of the psychological contract

The dominant definition of the psychological contract proposes that in essence the contract is a subjective perception of an agreement in the employee – employer relationship (Zhao, 2007). Nevertheless, the psychological contract is located both in the employee's mind and in the employee – employer relationship. This is because the psychological contract is essentially a relationship therefore it being implicit in any human relationship ensures the ability to interact with others. Hence, employees seek out others to support meeting their basic needs in relation to factors such as social, religion, culture, experience etc, suggesting that as employees seek to satisfy these needs they seek others in the organisation to support them, who will reciprocate in an expected way. This is shown to have implications on how the psychological contract is formed and in their reactions and coping strategies in relation to socio-cultural factors. Through this, the interactive nature of the employee can be captured and makes it clear that the formation of the psychological contract involves various factors.

Such arguments have implications on recent models which describe the development of violation to the psychological contract. The existing model proposed to explain the development of violation of contracts offered by Robinson and Morrison (2000), as discussed in Chapter three, is limiting in that; it offers a basic view of the construction of the employee – employer relationship and it is too rationalistic, failing to account for individual processes that come into play and influence employees' perceptions and behaviour. As noted in this chapter,

from an early age an individual develops particular ways of responding to organisational experiences. Therefore, when an employee enters an organisation, s/he does so with a range of inborn or innate, instinctive responses to situations that may present themselves and coping strategies to avoid conflict when organisational processes can no longer be tolerated which can ultimately result in the employee distancing him/herself from work. The strategy applied by the employee stands independently of his/her promise to be a loyal and reliable colleague or employee. So, if the behaviour of other colleagues or the organisation provokes a particular behaviour from the employee, this will override what the employee implicitly or explicitly promised to be.

The findings in this current study show that relationships that formed the employees' perception of the contract served to either exacerbate or minimise the experience of a violation. For example, the relationships formed with supporting others influenced the coping strategies they adopted. Also, the attempted effort to liaise with management did not offset feelings associated with being appreciated or rewarded in both organisations (excluding IT line managers in organisation 2). On the other hand, however, other employee – employer relationships as noted from the findings, served to exacerbate the psychological contract, with the potential for its violation. Though the recent models adopted to explain such violation are limiting because they only emphasise the relationship between employee and employer. However, the adoption of in-depth content analysis shows that the psychological contract is not exclusively formed between the organisation and employee, but rather is influenced by various factors, some of which may sustain the contract despite a self-evident and perceived violation by employers. Data showing the reactions from the analysis were also able to show

that violation to the psychological contract can also come from a number of sources as they highlight the several relationships informing the contract.

In Chapter five the study noted that employees also adopted certain roles towards themselves (leaning on supportive others in the organisation). This allowed the study to see how the effects of outsourcing can spill over to an individual's personal life in terms of the quality of relationships with significant others and also in relation to him/herself. Stansfield and Candy, (2006) considered the psychological determinants of distress at work using content analysis, and were able to illuminate the fact that "employees not striving and feeling helpless as reactions to difficulties" in an organisation led to the experience of symptoms of depression and anxiety, and that once these became prolonged, employees experienced even greater distress..

c. Promises

This study has shown that promises are a good predictor of employees' perception of the psychological contract. This is in line with Rousseau and Schalk, (2000); their study highlights that an employee's psychological contract develops from either explicit or implicit promises made by an employer during the employment relationship, as well as how those implicit promises are interpreted in a given context. The idea of an existing promise related to psychological contract may be formed when the organisation makes the employee feel valued through extra thanks and recognition on occasions when he or she has made an extra effort on behalf of the organisation. These implied promises are valuable to grasp how employees experience interactions and relationships at work. In the current study the analysis of the

employees' reactions and coping strategies highlighted the fact that promises played a role in the formation of the employees' perception of the psychological contract. By adopting an in-depth relational content based model the study offered a rich understanding of employees' perception of the psychological contract. The model was able to explain how socio-cultural experience is internalised and reproduced, the influence of context in the formation of the psychological contract and how the experience of violation was clearly demonstrated.

d. The Fluidity of the Psychological Contract

With the reactions and coping strategies, the content model was able to highlight the fluidity of the psychological contract, hence its dynamic nature. Though research suggests that the psychological contract is static, this is clearly not so because the employee as an individual feels and relates differently to different states and in consequence, exhibits different reactions and coping strategies as they occupy different positions in an effort to manage their organisational experience. The adoption of the content model, which is able to capture the interactive nature of the self, provides further evidence that the psychological contract is not static and offers much more than a one-dimensional static view.

6.5 Organisational change and psychological contract

Although there has been a growing amount of research conducted on the effects of organisational changes (outsourcing, downsizing, mergers etc) on the psychological contract, there is very limited focus on relating the factors that contributes to its formation as well as better understanding their effect on perceived violation. From the discussion in section 6.2 – 6.5, this section will indicate how this study supports and contributes to existing studies. In

relating the various factors, the study investigated the relationship between employee and employer in the real estate sector. This enables the current study overcome some limitations of previous research (van der Smissen et al., 2013; Anderson, 2014;) that did not allow in-depth appreciation and understanding of the complexity of the actual perception of the contract as it exists between employee and employer and could not be generalized to broader socio-cultural context.

From the findings, this study revealed the importance of psychological contract violation. The findings revealed that psychological violation is most significant in causing a change in an employees' perception of the contract together with the effectiveness of employee' to cope when he/she experiences this. Furthermore, the findings of this study reveal that even though issues such as deskilling may predate outsourcing, outsourcing has a major impact not just on the employee – employer relationship but also on how employees perceive and respond to the employee – employee relationship as observed from the coping strategy of turning on more educated employees. Further research can be carried out to explore the influence of outsourcing on how work dynamics of employee – employee relationships change for survivor employees who remain in the organisation.

This study also showed that psychological contract violation affects the wellbeing of the employee both mentally and physically. Even though there is little research on the explicit relationship between psychological contract violation and employee health (e.g., Gracia et al., 2007), some studies have shown that violation of the psychological contract is negatively related to various employee health outcomes (Conway and Briner, 2002; Cantisano et al.,

2007). This study supports these claims as it discovers similar results from its finding; whereby a large number of employees expressed experiencing adverse health effects due to the outsourcing process. In contribution the findings noted that the adverse health experienced by interviewees' is not only associated with mental illness but is also prognostic of employees' physical health. However, more interviewees identified with mental illness than physical illness.

Some existing studies (Wellin, 2016; Tomprou et al., 2015; Coyle-Shapiro et al., 2002) note that it is generally the individual employee who finds a way of adjusting to a violation of the psychological contract. This current study contributes to these existing researches by identifying that employees' do take part actively in the psychological contract and can develop some helpful responses to them, instead of simply reciprocating perceived violation of the contract. This further emphasises the role of the employee as an individual as discussed in section 6.2 – 6.3 and the complexity of the employee – employer relationship and how important it is to consider more detailed approaches to explain all factors that contribute to the contract formation.

6.6 Employees' Perception of Outsourcing and Employee Outcome

As discussed in Chapter 2, outsourcing has evolved from traditional to strategic outsourcing. Organisational functions being outsourced are no longer limited to non-core functions such as office cleaning and security but include a growing number of organisational activities and functions, especially those known to contribute significantly to its added value (some of which are ever closer to the core activities that constitute the heart of the business). Hence,

outsourcing is a key strategic area within operations in an organisation, and has an impact on various aspects of business performance. In order to explore the relationship between the employees' perception of outsourcing and outcome, this research objective focused on exploring whether the employee's expectation from the organisation changed and to examine how employees perceive outsourcing may have impacted on their behaviour and attitude to the organisation.

From the findings, while participants were able to articulate a few of their key expectations of their organisations, some were quite broad and sometimes involved prompting them to provide answers. Nonetheless, while the expectations cited were general and few in number, the focus upon them appeared to be quite strong. In terms of expectations, employees' contract content comprised mainly of development and support. For development employees' contract required being valued, appreciated, acknowledged and the opportunity to acquire new skills. For support employees' contract required not being threatened, not considered insignificant and a boost in morale. Literature is replete on the subject of employees' expectations, with employees indicating a variety of possible factors from personality factors (DelCampo, 2008) to organisational and socio-cultural influences (Westwood *et al.*, 2001). However, there is much less empirical work, particularly qualitatively, to identify the most salient information sources for various employees and the impact of changing expectations.

This current study offered evidence that employee expectations changed in response to the outsourcing process which was perceived as a violation of the contract. Employees' expectations shifted from relational to transactional and its components were also mentioned

in terms of incentives such as pay rise, pension, medical support etc. In terms of how these expectations developed, individuals spoke of socio-cultural factors such as family and friends, religion and past experiences.

It is evident in Chapter five that outsourcing affected the behaviour and attitude of majority of employees in both organisations. According to Charara, (2004) and Crolus, (2006), this is in line with existing studies as the outsourcing trend affects employees through the loss of fixed-employment opportunities and results in an increasing number of part-time and contract workers typically earning less pay than permanent workers and without health, life, short- and long-term disability, and retirement benefits. The current study noted that due to outsourcing there was a gradual structural change whereby some employees were replaced with part-time, temporary, freelance employees. Charara, (2004) and Dobbs, (2004) noted that the overall economic benefits of outsourcing are at the expense of the employees. Further outsourcing entails dramatic changes in the nature of work, control, and organisational design (Lever, 1997; Klass, *et al.*, 2001; Engardio, *et al.*, 2003).

Involuntary transitions such as in outsourcing are often viewed by employees as a threat to one's sense of control which can result in a loss of a sense of meaning and belonging (Ashforth, 2001; Morgan, 2009). According to psychological contract literature, a perceived breach or violation of the psychological contract is always accompanied by unsupportive behaviours such as feeling angry and a reduction in contribution to the organisation (e.g. time, commitment, loyalty). As observed in the findings, the outsourcing was perceived as a violation of the psychological contract by the interviewees. The perception about the

outsourcing decision, the management of the outsourcing process and the outsourcing outcome were perceived as a violation of the psychological contract, thereby evoking negative reactions in response to the negative outsourcing experience. It was observed from the findings that the responses, coping strategies and aim of coping across themes one to three were similar (see figures 5.2, 5.3 and 5.4) which contributes to the discussion that the responses and coping strategies are not independent of each other. The reactions and coping strategies of the participants were in response to the entire outsourcing experience irrespective of the outsourcing being divided into the outsourcing decision, the outsourcing process and the outsourcing outcome.

Outsourcing experience in this study is split into 3 phases as they cut across the themes: Pre (the decision), transitioning (the process) and post (the outcome). The key issues identified as important to employees across these phases were shown in Table 6.1.

Table 6.1: Employee Expectation of the Outsourcing Experience

Pre (the decision)	Transitioning (the process)	Post (the outcome)	Aftercare
<ul style="list-style-type: none"> • Job content • Employment perspective • Career opportunities • Shift from needing to talk about worries to supervisors and HR • Opportunity for coping • Recognition of 	<ul style="list-style-type: none"> • Job content • Employment perspective • Career opportunities • Shift from the need to talk about worries to supervisors and HR • Opportunity for coping • Recognition of 	<ul style="list-style-type: none"> • Clarity about future job roles • Clarity about future employment implications • Honest information 	<ul style="list-style-type: none"> • Contract terms maintained • Exchange of expectations regarding the future of the organisation • Exchange of expectations regarding new job • Opportunity for own input • Recognition of emotional aspects

problems in groups	problems in groups •Input into personal development.		
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Most of these issues are specific to outsourcing, as they relate to the unique nature of the change process that involves two organisations and combines challenges regarding job loss and exit with challenges of entry into a new organisation and a new career episode, thereby suggesting it is a more complicated and contradictory experience. Also, how well the outsourcing process is managed to match employees' expectation has an influence on the successful adaptation to the outsourcing. It was observed that employees experienced major differences between what they considered important and what they perceived as a result of the outsourcing. During the outsourcing experience, there were conspicuous gaps with regard to honest, clear, consistent, and correct information about the outsourcing. For example, management suggested that employees were informed about the outsourcing but employees emphasised that information and communication about the outsourcing was very limited and insufficient. There is often an assumption that managers know what to do when implementing potentially stressful change, Morgan (2009) suggests this is not the case. Managers, tend to avoid giving bad news. Devoting time and effort to others' distress has emotional and time costs. Despite the substantial evidence of high benefits and low cost, managers still ignore the emotional feelings of their staff (Morgan, 2009). However, the first step to that will be to accept that there was limited or insufficient communication about the change.

As observed from the findings of this study, despite employees emphasizing that there was a major communication gap and a couple of managers admitting the process could have been

handled better, the majority of managers disagreed that the process was handled poorly. This study does not show an empirical comparison of outsourcing to layoffs and downsizing, however, considering the implications of this strategy, it can be suggested that outsourcing is different although similarities do exist such as limited training opportunities, however, the outsourcing clearly enhanced these issues for the employees if they predated the outsourcing experience. Looking at what employees find important suggests the concept of organisational justice. Organisational Justice focuses on three forms of justice perceptions: Distributive, procedural and interactional (Roe *et al.*, 2005; Morgan, 2009). In this study justice perceptions were more negative than positive which is in line with existing literature that justice perceptions might tend to be particularly negative during outsourcing because the change is often imposed, based on one-way communication, by managers (Morgan, 2009). Some of the concerns voiced by the employees seem generic and common to all types of organisational change (Morgan 2009).

However, others reflected the uncertainties and worries raised by the particular phase of the change process they were going through as individuals (considering various factors such as number of years spent in the organisation, age, benefits and influenced by social cultural factors that informed the individual's perceptions and beliefs) and are therefore more specific for outsourcing. For example, some participants adopted a more persevering coping strategy with a few accepting the outsourcing as an opportunity to expand their knowledge and expertise. Also, the strategy of turning on more educated employees was an unexpected reaction as existing literature emphasizes that outsourcing can create a relational work space to support each other particularly in times of crisis (Klein *et al.*, 2001; Roe *et al.*, 2005;

Morgan, 2009). However, this particular finding suggested that these employees felt more insecure because they felt less educated. Even though employees adopted the strategy of talking to supportive others about the difficult experience, the outsourcing experience also weakened relational ties between the employees by evoking attacking and criticizing responses.

This further supports that the concept of the psychological contract is dynamic and is constantly influenced and recreated by various factors such as the social cultural factors that inform the individual's perceptions and beliefs. The assumption embedded in this procedure was expressed as 'If I express difficult feelings to supportive others, I will feel better'. This procedure can be viewed as positive behaviour adopted by employees to deal with difficult experiences at work. By talking to supportive others, employees shared difficult experiences/feelings in relation to the organisation. Also, even though from the findings it was evident that employees' were unhappy about their treatment by the organisation, many of them maintained their striving efforts, indicating that there are multiple interconnected relationships external and internal to the individual, which influence behaviour and hence, the psychological contract.

In both organisations majority of employees viewed the outsourcing as negative changes, which therefore created high levels of dissatisfaction and resulted in change in behaviour and attitudes of employees. This change in attitude and behaviour was evident in employees' reactions and coping strategies. Employees noted that the outsourcing undertaken had only resulted in loss of productivity and the fear and uncertainty that it would inspire additional

outsourcing further fuelled changes in their behaviour and attitude. Some employees indicated feeling insignificant and this showed in their willingness to do their work effectively. This in turn led to an increased level of anxiety and stress. Some employees also indicated that they were more likely to leave the organisation. Overall, the changes in employees' behaviour and attitude were expressed in decrease in motivation, decreased engagement, diminution in morale and low productivity of employees that remained at the organisation as a result of outsourcing. Furthermore, the effects of outsourcing showed that it entailed a series of complex psychological processes and subsequent behavioural responses. Feelings of fear, anger, grief, guilt, threatened, insecurity, uncertainty, unfairness, depression, limited investment and motivation are expressions of survival syndrome (Elmuti, 2010). Besides, some employees were given additional roles or new job roles, and this led to higher turnover intent.

Therefore, it is concluded that outsourcing had a significant direct impact on the employees' in both organisations with the exception of a few employees who through their coping strategies and socio-cultural factors were able to numb the effect of the outsourcing process. These findings are in line with the conclusion achieved by de Araújo Burcharth *et al.* (2014); Gorla and Somers (2014); Riggio (2015). This study also revealed that majority of employees viewed the outsourcing process as a negative process. The negative implications of outsourcing in organisational performance revealed by this study are in line with the research of Elmuti and Kathawala, (2000), Elmuti, (2003) and Elmuti *et al.*, (2010). Some employees (e.g., Property Management Organisation 1) emphasised that the outsourcing process led to losing control of key capabilities. For instance, dimensions such as inventory checks,

repossessions, viewings and maintenance became partially within the third-party processes and systems. In addition, the strategy of turning on more educated employees because established employees who were less educated felt threatened by new, more educated employees thinking that the new employees would take away their chances if any of training and development in the job areas after outsourcing hence leading to the organisation making them redundant; further shows the impact of outsourcing not just on the employee – employer relationship but also the devastating effect it can have on the employee – employee relationship. Hence, the analysis employed has tremendous value in signalling states that could be detrimental to the employees' well-being and survival.

6.7 Conclusion

The psychological contract plays a major role in understanding employee relations within an organisation. The application of the conceptual content analysis method enables an in-depth understanding of these relationships and the workings of the psychological contract as well as how the contract is established and maintained. In order to understand the impact of outsourcing on the employee's psychological contract, the study explored patterns coming from the shared employee – organisation history that influences feeling, thinking or behaving. Furthermore, these patterns can only be appreciated when socio-cultural factors which influences or brings them about are considered. This highlights the key benefit of using relational content analysis to analyse the psychological contract because it gives deeper understanding of the impact of the socio-cultural factors on employee response and coping strategies. Also using content analysis, the researcher has been able to account for connections in employee relationships and how experiences in one relationship can have an impact on the

employee's outsourcing experience and how they respond to a violation. Although existing studies are able to show how various factors impact on the psychological contract, they are limited in offering a detailed explanation of how such factors influence individual differences.

CHAPTER 7

CONCLUSION

7.1 Introduction

In support of existing studies in the field of psychological contract this study agrees that organisational processes can contribute to the formation of the psychological contract and how it is perceived, indicating the contract is dynamic in nature; though there remains limited study of what factors contribute to this dynamic nature. The study aimed to explore the impact of outsourcing on the employees' perception of the psychological contract and to explore how socio-cultural factors contributes to the employees' perception and formation of the contract. In order to meet these objectives to address some of the methodological limitations within outsourcing and the psychological contract field and to explore the strengths of qualitative approach of inquiry, an in-depth content based model was utilised. Particularly, using works of dominant researchers in the field such as relational, balanced and transactional typology to categorise contract content, the study focused upon different components of the dynamic nature, formation and perception of the contract.

First, through in-depth semi-structured interviews the study sought to identify the content of employees' views about outsourcing and reciprocal psychological contract beliefs. Also the study sought to identify how those beliefs are developed and the degree of mutuality with the organisation's reciprocal contract beliefs and perception of a violation. Second, building on this context the study focused on understanding the change in employees' contract content due to the outsourcing process. Third, using an in-depth content based model (considering the reactions, coping strategies, diagrammatic representations and tabular mapping) the study

analysed data from the inquiry to provide in-depth understanding of what employees feel about changes in organisational processes (especially difficult ones), why the contract changes occurred and what factors have contributed to this. Contract violation and how it drives these changes was particularly explored.

In addition, this Chapter summarises and highlights the contributions of the study to research and to practice in relation to outsourcing and psychological contract. It presents a review of the strengths and the weakness of the study based on the findings and discusses the suitability of the research question identified from the literature review. The Chapter provides the significance of the study for researchers and organisations in the service industry and the possible methodological considerations and implications for future research. Finally it provides a reflection on the research process.

7.2 Summary of Findings

Having discussed the objectives of the study, the natural question to ask is how the findings from the study can inform perception of the effects of outsourcing on the psychological contract. Considering this question brings the following results: current conceptualisations of the effects of outsourcing and psychological contract are too atomistic, rational and individualistic to respond to the complexity of the actual perception of the contract as it exists between employee and employer. In support, Hardin and Donaldson, (2014) suggest that the employees perception of the psychological contract contributes to their behaviour and attitude in the organisation. Although the above discussion is able to provide a very useful understanding of how the organisation change as a result of outsourcing process influences

both the perception of the psychological contract and its violation, it still only offers a partial understanding of what really impacts upon employee behaviour.

While organisational changes triggers similar responses from employees' these responses can be of different intensity depending on the individual employee. As noted in this current study outsourcing elicits strong emotional responses from employees, and it is so regardless of the change being positive or not regardless if an employees' job is affected or not. Furthermore, it was evident from the interview data that it is impossible to fully understand the experience of psychological contracts and its violation without an insight into the influence of socio-cultural factors on employees' response and coping strategies. After contract violation, employees may shift to seeing their relationship with their job as more of a transaction, and for some this will lead to long-term problems as they lose one of the fundamental reasons for work (Morgan, 2009). The emotional aspect of organisational change is influenced by how concerned employees are about losing their jobs and changes to their job roles and the extent of psychological attachment employees have with the organisation. The need for attachment influences the employee – employee and employee –employer relationships within the organisation. This need for attachment is activated under conditions of acute and chronic stress, which indicates that major organisational changes such as outsourcing can influence individual attachment behaviour (Feeney and Noller, 1996; Morgan, 2009).

Outsourcing, as a major change to the work situation, is likely to affect the individuals in a number of ways. The response of others to outsourcing is very important as employees usually gravitate towards creating a relational work space to support each other particularly in times

of crisis and the process of outsourcing either strengthens or weakens this bond. Existing literature on how changes in work practice and weakening of ties influence the nature of commitment to the organisation are growing and provide a better understanding of attachments within organisations (Klein *et.al.*, 2009 ; Morgan, 2009). Outsourcing also goes beyond organisational attachments as groups of people are often broken up too during the process. Research has found workgroup identification to be more strongly associated with job satisfaction, involvement and turnover intentions than identification with the organisation and focusing on organisational levels may miss individual aspects (Van Knippenberg and Van Schie, 2000).

However, it is still unclear what impact being outsourced has on an individual's future relationship with their employers, and far more research is needed here (Morgan, 2009). This current study explored the impact of outsourcing on the employment relationship of survivor employees. Also there has been little research on how survivors react to outsourcing with most studies focusing on layoffs or undifferentiated downsizing (Maertz *et. al.* (2010). The current study addressed this by focusing specifically on the reactions of survivor employees (who are retained in the organisation). There is also little or no research on how survivor reactions may vary for layoffs, offshoring and outsourcing (Maertz *et al.*, 2010). This current study did not provide comparison reactions to layoffs, offshoring or outsourcing, it provided reactions specific to the outsourcing even though many reactions to organisational change may overlap. Despite this relative dearth of research on outsourcing, there is an assumption (Belcourt, 2006) that employees react negatively to outsourcing and offshoring in a similar way as they do to layoffs and downsizing (Maertz *et al.*2010). According to Marks and De Meuse (2005),

downsizing can be perceived as a signal or symptom of poor organisational performance. Nishii *et al.* (2008) propose that if a downsizing form is in management's volitional control, it can be perceived as more negative than a form attributed to inevitable environmental causes based on attribution theory. While layoffs may be seen as more of an indicator of macroeconomic control and beyond management control (Freeman and Cameron, 1993), outsourcing may be seen as more as an active and volitional choice of management. Also perceived unfairness and a lack of trust in management trigger negative survivor reactions to downsizing (Maertz *et al.* 2010).

The current study focused on the psychological contract as a crucial concept in understanding how employees respond to change. As observed from the findings outsourcing is perceived as a violation of the psychological contract. Studies have shown that perceived violation of the psychological contract is linked to reduced commitment, trust, performance, and citizenship behaviour (e.g. Coyle-Shapiro & Kessler, 2002). However, from the findings, even though from the findings it was evident that employees' were unhappy about their treatment by the organisation, many of them maintained their striving efforts, indicating that there are multiple interconnected relationships external and internal to the individual, which influence behaviour and hence, the psychological contract.

The psychological contract is multi-directional, multi-layered and multi-functional, and as a result needs more relational and in-depth models such as content analysis which uses diagrammatic representations and mapping to better understand employee – employer relationship. This also allows for a better response to the multi-dimensional, complex and

hectic experience of human behaviour. How the psychological contract is shaped and experienced in terms of violation is significantly influenced by other parties like fellow colleagues. Finally, this study is of the view that socio cultural, individual and organisational factors which are in a continuous state of mutual interaction can affect the expression of the psychological contract, and extend beyond the organisation. These factors can be in conflict with one another and as a result affect the experience of the psychological contract, and the experience of breach. Relationships are networked and, therefore, the impact of psychological contract breach and violation extends beyond the organisation, affecting individuals' significant relationships. In the current study the strategy of turning on more educated employees revealed by the findings further shows the impact of outsourcing not just on the employee – employer relationship but also the devastating effect it can have on the employee – employee relationship. Further research can be carried out to explore the influence of outsourcing on how work dynamics of employee – employee relationships change for survivor employees who remain in the organisation. Likewise, relationships and experiences outside the organisation influence those experienced by an individual inside the organisation.

7.3 Limitations of the Current Study

The first limitation was the use of only in-depth interviews and newsletters to collect data. However, these inquiry methods were used to gather data to gain in-depth information. In addition, the findings revealed a defined pattern of behaviour as the size of the case study organisations guaranteed a true representation of the organisation's population. The second limitation was the type of organisations used in the case study, which were real estate private organisations, thereby embodying characteristics of the private sector. For example, there was

limited access to top management, no access to additional materials i.e., newsletters or editorial on outsourcing, all access to participants was quite difficult and some were scared management could be aware of their responses to the interview questions. The peculiarity of the organisation may well restrict efforts to generalise the findings in the public sector.

Third, though interviews were semi structured, certain aspects of the themes were more guided as a result of content analysis concepts, and this implicit direction may have influenced the participant to think about his/her experiences differently. This may have influenced participants to report more negative experiences, presenting a much more negative organisational experience. However, even with this being the case the aim of applying the content analysis was not to assess the frequency of disappointments or violations to the psychological contract but to get a more detailed sense of what and how outsourcing influences the psychological contract and psychological contract violation and how people make sense of and respond to organisational experiences. The fourth limitation of the current research is that participants' descriptions of their organisational experiences depend on the kind of state they are in at the time the interview was conducted. For example, if an employee was in a critical, judgmental, attacking state then they will operate from that state. This would influence the content of what was expressed in the interview and may have not been the interviewee's true representation of their experience outside that moment in time. However, the impact of this was reduced by asking participants if those feelings and experiences were recurring or tied to the outsourcing process.

The issue of bias in the reporting of results must also be considered. In this respect, it is suggested that a work-specific content analysis themes and sub-themes documentation may help as this could be distributed to a number of individuals to check whether the reactions and coping strategies from the interviews matched those of the existing research in the real estate service sector. Though, during the study transcription information was shared with participants for validation, a major challenge experienced when carrying out this process was gaining access to employees proved quite difficult and going back the second time proved impossible. This was because of fear, year leave, sick leave and too busy schedule as experienced with some managers, hence the extended time spent on this phase of the project.

Furthermore, by looking at the individual interviews, the study may have been able to identify better what determinants (individual characteristics, upbringing, job role, religious values, personal circumstances) indicate that certain individuals will use for example, social support to cope such as 'talking to supportive others' rather than isolating themselves. Also, as noted from some interviews, some employees strive harder than others to obtain recognition, and these people may be more prone to experience violation to the psychological contract, a predisposition which it may be important for management to appreciate. However, it is recognised that the scale of this study was large, and that to preserve individual reason for reactions and coping strategies was beyond the bounds of what was achievable.

Apart from the difficulty experienced in getting the sample discussed earlier, the sample was a representation from each main department in both organisations; participation was naturally voluntary as majority participants at junior levels suggested other participants. Also some

managers suggested some line managers for the study, thus making it self-selecting to an extent. The sample size was mainly employees who had at least two years working experience with the organisation. This may have influenced the responses given. For example, the employees may have reached a point where they were tired with their experience with the organisation. In addition, more established employees in terms of age, educational background and years of work experience may have felt they were not as qualified as younger members and unable to progress beyond a certain level. As a result, such employees may think themselves to be more prone to experience violation due to them being stagnated within the organisation and these employees may have felt more violation to their psychological contract. Conclusively, from this sample, it was evident that many of the employees felt shared implicit loyalties with the organisation which were to be reciprocated. This highlights the existence and importance of historical relationships within the organisation.

7.4 Future Research

The study focused on the effects of outsourcing on the survivor employees' perception of the psychological contract. Although the objectives of the study were successfully achieved, there are a number of suggested areas for future research identified as a result of this study, these are: first, future research should explore the need to diversify approach by using alternative study methods such as mixed method tools (quantitative and qualitative) and longitudinal approach. Findings from the study indicate that a longitudinal approach may be required within the outsourcing and psychological contract literature regarding revisions of reciprocal contract content over time. Additionally, a longitudinal study incorporating the involvement of participants in the validation of their feelings, in jointly constructing themes and sub-themes,

and assessing where there is any shift in more helpful reactions and coping strategies adopted by employees as a result of using content analysis is also required. This would also offer validation for content analysis as a tool for management to manage the psychological contract.

Second, the in-depth content based model may be used to investigate in more detail the impact of employee roles on their well-being. For example, it may establish how an employee's role impacts on the degree to which an employee reacts to an organisational experience in a particular way or coping strategies adopted in relation to him/her and others. Third, findings from the study also suggests that employees in lower positions that only require a lower level of education may be more prone to adopt more unhelpful coping strategies in relation to themselves and others in their environment, such as family members. Hence, it would be useful for future research to explore if/how such factors have effects on the coping strategy they adopt and how they foster or prevent the development of outsourcing 'survival syndrome' feelings such as depression, anxiety and anger, which could in turn influence employee well-being.

Fourth, future study can look into exploring the psychological contract in a more culturally mixed organisation, making the distinction between native employees and foreign employees and the influences to the formation of the extent to which the psychological contract impacts on how they perceive a violation. Study can also be carried out on whether a psychological contract is open for negotiation. For example, from the interviews it was noted that culture predisposed the need for connections to get a position with the organisation, and as a result, there was little potential for expectations to be diluted in the workforce. Fifth, future research

can study the impact of an individual's acceptance of societally determined roles on the degree to which s/he experiences violation to his/her psychological contract. For example, the lack of promotion for a woman in a culture where women are perceived as the primary caretakers of children, may be accepted by a woman whose own identity is in accord with that of the culture in general, but may be perceived as violation if she does not share that particular cultural value.

7.5 Implications for Practice

The findings offer a range of insights to management in organisations regarding effectively managing the employment relationship. First, it is clear that employees' will use a range of past experiences, socio-cultural factors, cues etc to form what they perceive to be the norm in the 'world of work', and in their personal life and also to shape what is perceived as obligations in the employment exchange relationship. With that in mind, management should endeavour to meet and interact with employees, continuously throughout the period the employee works with organisation, to determine how they view the employment relationship. As noted in the study, the psychological contract is dynamic in nature hence by meeting with employees on a regular basis management can gain better insight of these changes and contributors to the changes. This is essential to ensuring that the employment relationship reflects the needs and desires of both parties.

Second, effective open communication is important to build a positive employment relationship. Therefore, management representatives i.e., managers who are part of the organisation's decision making body or supervisory body be equipped (i.e., through training) with the necessary resources that allows or support open communication. With this, during

difficult organisation experiences they can serve to better inform and support the employees under them. Also these representatives should be given training on the intricacies of the psychological contract and how it impacts and influences attitudes and behaviour of individuals especially at work. Representatives should also receive training on how to clearly communicate and interpret terms of the relationship with employees. As noted in both organisations, majority of employees' perception of the psychological contract changed negatively in response to a difficult organisational experience (outsourcing). Conclusively, the need to provide representatives with training on the psychological contract relationships cannot be overemphasised to ensure open communication and avoid violations. With that in mind, and to ensure open communication, it is in the organisation's best interest to train its representatives on psychological contract relationships with their employees.

Third, employees will unavoidably, experience a situation where a belief in an employer obligation goes unfulfilled at some point or the other. This violation may lead to negative attitudes and withdrawal behaviours especially in a situation where a strong belief of the employee is affected by the violation. However, putting in place corrective and support measures that allow for restoration of such situations can reduce negative effects like cynicism, employment dissatisfaction and intent to leave; and gradually restore employees to the initial state of their psychological contract. Examples of the support measures are: selecting designated employees as representatives of the organisation who can provide advice and support outside the immediate department in form of mentors, buddies and peer network. Communicating issues affecting the organisation effectively was evidently significant for this sample of employees, since communication of the outsourcing process was a key expectation

the employees had of their organisations. Individual employees unavoidably have strong core beliefs on principles of social exchange which determines what constitutes their obligation beliefs. It is therefore crucial for managers to understand these beliefs especially in the employment relationship and have conditions in place that incorporate ways in which they can be met and planned for. Managers should work with employees to identify ways in which they may be met in the future or offer alternatives which can be currently met.

Finally, as is evident from the reviewed literature and findings from the analysed data, outsourcing does have an impact on how employees perceive their psychological contract. A majority of the participants indicated a change in their perception of their psychological contract. In addition, as deduced from the data all employees felt the outsourcing process was not properly handled and communicated. The feelings of being left in the dark, not carried along, feeling dispensable or not valued that were attributed towards the violation were linked to the organisation not managing the outsourcing process properly. With this in mind, this study suggests that there is a need to explore in detail not just the financial but also the hidden effects of the strategies it adopts to improve the organisation's competitive advantage. For example, in addition to the fact that the outsourcing decision was considered an unnecessary negative risk by many, the way it was managed from the inception of the idea and after its execution, had a very crucial effect on employee motivation, engagement and contribution to the organisation, thereby altering their perception of the psychological contract. A perceived breach in the psychological contract can initiate adverse behaviours and attitudes with non financial hidden cost which may be detrimental to the organisation.

7.6 Reflections

Reflecting on the years invested in doing this research, my motivation for getting a DBA was fairly straight forward. Coming from a family of Academics, I have always desired a doctorate degree not just for the respect that comes with it but also to prove to myself that I can rise to the intellectual challenge of a doctorate. Also, aside from my love for learning and the desire to seek less observable understanding and explanations for social issues, I have always wanted to set up a consultancy firm in the long run. This played a major role in influencing my decision to get an MBA in entrepreneurial management. This further explains my choice of the DBA as I appreciate the opportunity to combine research to practice which is directly in line with my future plans. The decision to carry out research on the effects of outsourcing on the psychological contract of employees was also consciously made with my future intentions in mind.

When reflecting on the experience of doing this study, I realised that I truly enjoyed this process even though a large part of the study has taken me into different but challenging experiences. The first major challenge I encountered started with having to write an upgrade proposal after the first year which included finding a researchable topic, identifying the problems and developing an appropriate research methodology. Having conducted a pilot study in the first year as a DBA student, my expectation was that the pilot study had really helped inform me about the research process and likely outcomes. I also felt I was more confident about conducting the main study, bearing in mind that I had been able to identify key areas that needed to be adjusted to improve the research process. Though, writing the upgrade proposal and defending it to a panel made me re-evaluate how prepared I was. However the feedback I received from the defence was a major eye opener that formed the

basis of the confidence I developed to carry-out this study. The specific areas to improve were quite intense. Initially, I was both excited and very overwhelmed by all the suggestions. I began gaining control by organising the feedback into a list taking into consideration all the feedback I received. Though I found it difficult to find the motivations to do the work sometimes, overall, I enjoyed the research and writing.

The shaping of my thesis was a slow and somewhat frustrating process. I tried to read quite widely in an attempt to gain some understanding of theories of outsourcing and the psychological contracts of employees. I found literature in the fields of sociology and psychology to be particularly instructive in this regard. The amount of information that conducting this study exposed me to was quite overwhelming. I recall having to go back and forth with my supervisors to understand how to narrow down literature to address the specific issues I was concerned with researching.

One main challenge that was not anticipated and therefore not fully prepared for, was the issue of gaining access to the case study organisations. This part was the most difficult for me. I had to wait for months, trying to get permission from organisations in the real estate service sector. I recall considering different strategies on how to address this or even changing my research method altogether which would have affected my study adversely. Eventually, I resigned to further developing my literature review during the long wait which proved very helpful. This challenge was eventually overcome by adopting the snowball method. The decision to use semi-structured interviews allowed for some degree of participant-led responses which added to the richness of the interview process and compensated for my lack of research experience. I learnt that it is not unusual to feel the research is an unattainable task with no end. Though the

process felt very overwhelming, it gave me a better understanding of the need to develop more resilience and an apt attitude to exploring alternate strategies and methods in the process while constantly being reflexive; reflecting on what has worked in the process, what hasn't, what needs to be improved on and how the process is developing and/or changing.

My experience writing this thesis has taught me that the key to finishing such an overwhelming task is resilience, persistence, hard work, excellent time management skills and prayer. Furthermore, I realised the value of consciously bearing the aim of the study and research questions in mind and referring back to it while writing each chapter of the thesis. I found this really proved helpful in avoiding being distracted. Throughout the process of writing this study I found the opportunity to make a contribution to knowledge most inspiring. My research tended towards applying existing theories to new areas of knowledge and as I reflect on my initial proposal, I am conscious of the degree of progress I have made in my capacity to carry out academic research. Carrying out the writing of this thesis I have learnt that you cannot be an island of knowledge. I had to revise my study's structure severally after interacting with other researchers and their works, collecting, analysing and drafting the chapters of my thesis.

Finally, after writing this thesis, putting it in shape for submission presented a challenge. I found that this final task took longer than I expected, partly because I needed enough time to get the proof-reading done and also due to the fact that I spent much time cross checking and compiling my references. Overall, the study has stretched me intellectually and emotionally, but I am immensely proud of what I have achieved and actually enjoyed much of the journey.

7.7 Conclusion

In drawing the study to a conclusion and making a number of recommendations, this chapter has shown the use of an in-depth content based model that focuses on understanding the relations between reactions and coping strategies in response to outsourcing. The study represents this by using themes, sub-themes, diagrammatic representations and tabular mappings, different from the models in current use in this field. It was able to explore the effects of outsourcing on the perception of psychological contract and experiences of violation. This type of model, specifically content analysis was also shown to offer several possibilities for future research aimed at securing a more comprehensive understanding of difficult organisational experiences and the psychological contracts. The psychological contract has been shown to offer a rich account of the employment relationship, but to date, it has been limited in its capacity to do that by the influence of more purely cognitive ways of researching and understanding the contract.

This study has demonstrated that the heart of the effects of outsourcing on psychological contract is content based. Hence, more in-depth analysis based models that take into consideration understanding the employment relationship and the dynamic nature of the psychological contract, combines a number of important socio-cultural processes which affect human life, visual representations and tabular mappings. It has also highlighted the need for ongoing research aimed at developing models and research methods that are reliable and generalisable, at the same time as being able to account for the complexities which form part and parcel of human existence.

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APPENDIX

Sample Interview questions on

The Effects of Outsourcing on Survivor Employee's Psychological Contract

Interviewer: Good afternoon, my name is Fisayo Akomolafe. Firstly, I would like to thank you for taking time to meet with me today. As you may already be aware from the introductory letter I gave you, I am a research student at London Metropolitan University. The aim of this research is to explore the effect of outsourcing on the psychological contract of survivor employees. This interview will be for 50 minutes and will be recorded for the purpose of the analysis. Having said that, although it would be preferable for me to tape record our conversation, if at any point you feel uncomfortable with this during the interview and wish for me to pause or discontinue or should you have any questions, kindly let me know. I may also need to take some written notes during the course of the interview if that is okay by you. You can be reassured that whatever is said during this interview will be used in an anonymous way and used solely for the purpose of this research. The questions I will be asking you are not fixed and are aimed at prompting you to explain your opinions and experience.

1: At this point, having given you a brief summary of what the aim of this thesis is and what this interview is about, are you still interested in proceeding with the interview?

2: Can you please tell me how you came to work for the organisation?

- 3:** How long have you've worked for the organisation?
- 4:** What were your hopes when you joined the organisation?
- 5:** Can you tell me about your job? I mean can you tell me what your job involves?
- 6:** And how will you say you feel about your work or experience your work?
- 7:** Can you tell me about your expectations from work? What would you say you expect from your work or from the organisation?
- 8:** Personally, how do you feel about your work and how you are treated at work?
- 9:** Thank you. And what do you feel your work wants or expects from you? What do you feel your employers expect from you?
- 10:** And you were around for the outsourcing? That is, were you around when the outsourcing was carried out?
- 11:** Can you tell me about the outsourcing and when and how you knew about the outsourcing decision?
- 12:** How did you feel about that? When you found out about the outsourcing?
- 13:** What would you say were your expectations? How could it have been different?
- 14:** How would you say you feel now? Have your feelings changed or how are you coping?

15: And how would you say that the outsourcing has affected your job specification? How has it affected what you do?

16: And how does that make you feel?

17: And do you feel the outsourcing experience has influenced your attitude towards the job?

18: In your opinion, would you say the outsourcing affected your skill level or acquisition of skills?

19: And would you say that the outsourcing decision has influenced or affected your expectations from the organisation?

20: And would you link that to the outsourcing or you just feel that way generally?

21: How do feel about the policies and the processes brought about by the outsourcing?

22: And how will you describe job satisfaction before, that's prior to the outsourcing and after the outsourcing? Would you say that it has changed or it's the same?

23: Would you say that is a negative thing?

24: Thank you. And would you say the outsourcing has influenced how you feel about the management of the organisation?

25: Finally, are there other factors that may influence how you feel about management?

26: Once again, thank you very much for taking time out to participate in this interview today.

I truly appreciate it.

London Metropolitan University,

Faculty of Business and Law,

4th of January, 2016.

Dear Madam/Sir,

I am currently in my third year studying for my Doctorate Degree in Business with London Metropolitan University. I am conducting a research on The Effects of Non-Financial Hidden Costs Associated with Outsourcing. This research involves exploring the effects of outsourcing based on perceptions on psychological contracts. I am therefore seeking to collect some information from organisations that have recently undergone any form of outsourcing.

If your company has undergone any form of outsourcing before, I would like to seek your approval to collect some data from your reputable organisation through a series of interviews that will be very relevant for conducting this research. I will be looking to interview at least one senior management staff, one human resource staff and five employees. The opportunity to interview more will be highly appreciated. I intend each interview to run for between 45 minutes to 1 hour at most.

I can guarantee that the organisation will be presented as anonymous and all answers/information received will be presented as anonymous. At no point will any name be mentioned or revealed to any third party. The data will be used for research purposes only. Information received from this organisation will be combined with others and will never be linked with any individual or the organisation personally.

Approval can be granted by signing below and emailing the response back to my mailing address below or by emailing a signed letter of permission acknowledging your consent for me to conduct the interviews in your organisation.

Thanks for your anticipated cooperation.

Yours Sincerely,

Olufisayo O. Akomolafe

Doctoral Researcher.

ooa0250@my.londonmet.ac.uk

Approved by:

_____	_____	_____
Print name and title	Signature	Date

Interview Consent Form

The Effects of Outsourcing on Employee Psychological Contract

For the Participant

I have read the invitation letter, which explains the nature of the research and the possible risks. The information has been explained to me and all my questions have been satisfactorily answered. I am happy to participate in the study and for the interview/session to be audio recorded as part of this research. I understand that I do not have to answer particular questions if I do not want to and that I can withdraw at any time without consequences.

I agree that research data gathered from the results of the study may be published provided my name or any identifying data is not used. I have also been informed that I may not receive any direct benefits from participating in this study. I understand that all information provided by me is treated as confidential and will not be released by the researcher to a third party unless required to do so by law.

Signature of Participant

Date

For the Researcher

I have fully explained to the participant the nature and purpose of the research, the procedures to be employed, and the possible risks involved.

Signature of Participant

Date

Signature of the Researcher

Date