

Cultural Values and Psychological Contract

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Abstract

Understanding how employees' cultural values are related to their responses to promises broken by their organizations (i.e., psychological contract breach) is important in today's global workplace. While past research has demonstrated that psychological contract breach is positively associated with employee exit, voice, and neglect, and negatively associated with loyalty, we know little about the role that cultural values play in this process. We explore the role that power distance orientation – an employee's acceptance of power differentials in society – plays in employee responses to breach. We argue that employees with low power distance orientations will be more likely to have active responses to psychological contract breach (exit and voice), while employees with high power distance orientations will be more likely to respond passively to breach (loyalty and neglect). We tested our hypotheses using a sample of 266 employees from different cultures across two points in time. Employees with low power distance orientations were more likely to respond to psychological contract breach with exit and voice than employees with high power distance orientations. However, power distance orientation did not significantly moderate the relationships between psychological contract breach and neglect or loyalty, respectively.

From a practical perspective speaking, our results demonstrate that managers should be aware that employees with lower power distance orientations are more likely to respond actively to breach than are employees with higher power distance orientations. This may be a valuable insight for a manager accustomed to working with higher power distance employees now managing employees who have lower power distance orientations. Likewise, managers supervising high power distance employees should not assume that the absence of an active response to breach means that employees have not recognized that a breach has occurred, or that it is harmless.

Keywords: psychological contracts, culture, power distance, social exchange