

Schema, promise and mutuality: The building blocks of the psychological contract

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Understanding the dynamics of the psychological contract in employment is difficult without research into its formation. Unfortunately, far less research exists on the antecedents and formation of the psychological contract than on the consequences associated with it. Three concepts frequently studied in psychology are particularly important to advancing research on psychological contract formation: schemas, promises, and mutuality (i.e. objective and perceptual agreement). This article develops the implications these three concepts have for future research on psychological contract formation.

The antecedents and building blocks of the psychological contract have received relatively little attention from organizational researchers. In the past decade, a good deal of research has been conducted on the aftermath of psychological contract formation and its associated responses (e.g. violation and willingness to change, Coyle-Shapiro & Kessler, 2000; Herriott, Manning, & Kidd, 1997; Robinson & Rousseau, 1994; Robinson & Wolfe Morrison, 1995; Rousseau & Tijoriwala, 1999; Turnley & Feldman, 2000). In a nutshell, this research indicates that workers with different types of psychological contracts respond differently to violation and to planned organizational change. It further indicates that violated psychological contracts generate more intense attitudinal and emotional responses than do unmet expectations. Although research continues on the consequences of psychological contracts for workers and firms, this article takes a step back in the causal sequence. It examines the constructs associated with the formation of psychological contracts; the mental models or schemas people hold regarding employment, the promises employment conveys, and the extent of agreement between the parties involved. The purpose of more closely examining these core elements of psychological contract theory is to encourage prospective research on how psychological contracts are formed and in doing so better specify conditions under which psychological contracts can be effectively kept and revised.

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				<i>The focus of most psychological contract research</i>
<u>Pre-employment</u>	<u>Recruitment</u>	<u>Early Socialization</u>	<u>Later Experiences</u>	<u>Evaluation</u> (Revision/Violation)
Professional norms	Active promise exchange	Continuing promise exchange	Intermittent promise exchange	Discrepant information leads to evaluation
		Active information seeking by workers/agents	Less active information seeking by workers/agents	Incentives/costs of change impact revision
Societal beliefs	Evaluation of signals by both firm and worker	Multiple sources of information from firm	Firm reduces its socialization efforts Changes often incorporated into existing psychological contract	

Figure 1. Phases in psychological contract formation.

Psychological contract comprises subjective beliefs regarding an exchange agreement between an individual and, in organizations typically, the employing firm and its agents (Rousseau, 1995). A contract is promise-based and, over time, takes the form of a mental model or schema, which, like most other schemas, is relatively stable and durable. A major feature of psychological contracts is the individual's belief that an agreement is mutual, that is, a common understanding exists that binds the parties involved to a particular course of action.

The antecedents of psychological contracts are activated to a large extent through pre-employment experiences, recruiting practices, and in early on-the-job socialization (Fig. 1). Prior to employment, workers can possess beliefs regarding work, their occupations, and organizations generally that set in motion certain responses to joining with an employer (Bunderson, in press; Goodrick & Meindl, 1995). Recruitment experiences engender understandings regarding the promises workers and employers make to each other (Rousseau, 1989), and post-hire socialization continues the processing of new information regarding the employment relationship and promises related to it (Thomas & Anderson, 1998; Wanous, 1982). How pre-employment beliefs and post-hire socialization shape psychological contract formation can be better understood by considering psychological research on schemas, promise-making, and perceptual accuracy in interpersonal interactions.

Schemas or mental models

A schema is the cognitive organization or mental model of conceptually related elements (Beck, 1967; Horowitz, 1988; Stein, 1992). It represents a prototypical abstraction of a complex concept, one that gradually develops from past experience, and subsequently guides the way new information is organized (Stein, 1992, p. 49). For example, the concept of 'birthday party' is a schema developed by experience. The birthday party schema organizes and gives meaning to such features as money (a present rather than a payment) and cake (more suitable than pie to the celebration). Similarly, another schema can exist regarding what it means to be a 'professor'. At some level, many people—both professors and non-professors—hold schemas regarding that concept. To the layperson, the most manifest element of the professor schema is likely to be teaching, giving rise to the frequent question, 'Why are you working during the summer?' However, participants in that role can be expected to have more elaborated cognitive structures—and to respond to that question with varying degrees of surprise and frustration. Such elements as teaching, researching, and writing are present in many of the individual schemas regarding 'professor'. However, the mix of elements is likely to vary even for those in the same academic setting. For some, teaching might take varied forms, from doctoral dissertations to executive education or the development of new educational technologies. However, not all professors would associate the aforementioned activities with teaching. The general point is that some elements of a schema may be widely shared by people who work in the same setting or occupation, or by members of a particular societal culture. Others may be idiosyncratic, tied to particular individual experiences with their current employer or throughout their career.

A schema can be more or less conscious and have both verbal and non-verbal elements. During a recent faculty meeting, two professors at Carnegie Mellon engaged in a heated discussion regarding the value of teaching ratings by students. A third party, hearing their dispute summarized the opposing positions as 'students are our customers' versus 'students are supposed to sit at the foot of the master'. Some elements of these positions might never be explicitly conveyed, but none the less form part of the student–faculty relationship each professor had come to take for granted. Because individuals can have differences in their basic cognitive structures, elements that fit easily into one person's schema may fit less well to another's.

Consider how some academics view the element 'teaching'. Some of my business-school colleagues see executive education as central to their professional contributions, while others vociferously reject it as a non-scholarly pursuit. This perception of executive education as a legitimate professional activity by some and 'not my job' by others is accounted for by the variety of factors that can shape a schema. Prior beliefs, based on discipline of origin (psychology, economics, finance) or training (disciplinary department versus professional school), are one factor. The conditions at one's time of hire are another factor: did the dean convey the value placed on executive education to a newly recruited faculty member? How much does it matter that there have been four deans in 10 years? Once formed, a

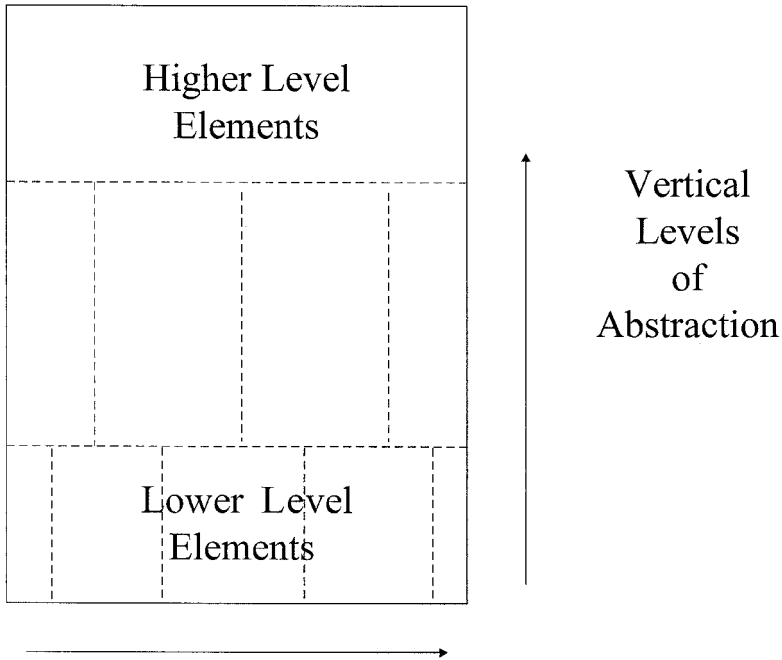


Figure 2. Structure of schemas.

schema tends to be maintained (Crocker, Fiske, & Taylor, 1984; Horowitz, 1988; Stein, 1992), and subsequent information tends to be interpreted in light of a pre-existing schema. This suggests that the next dean who comes in asserting that executive education is important to the school may find that message falling on the deaf ears of many hired by an administrator who believed otherwise.

Horizontal and vertical structure of schemas

Schemas vary in their complexity; that is, the number of cognitive beliefs that comprise them, the levels of abstraction characteristic of these beliefs, and the linkages among them (Fig. 2). The more complex a schema, the more numerous its parts and the greater the array of linkages among them. Keeping with the schema of professor as our example, its components may include, but are not limited to, research, undergraduate teaching, doctoral student development, executive education, outreach, development of academic community ties, and potentially innumerable other components. But how these elements are organized can be affected by many factors including the professor's academic institution, career stage, rank,

co-worker beliefs, and the individual's personal development and growth. Figures 3A and B contrast the hypothetical schema of a professional-school's professor with that of a liberal arts college professor. Note that not only do they differ in the number of elements involved (the professional-school professor has a broader array of duties), but the linkages are also more numerous (and, for the latter, more conflicting). In these two hypothetical cases, not only do the activities of professor differ, but their very meanings differ as well. Doctoral student development brings teaching and research together as a means of promoting the hypothetical professional-school faculty member's academic reputation, whereas teaching is closely tied to community service in the building of strong relationships with undergraduates for the liberal arts professor.

Initially, a schema is likely to be relatively simple, with few components that have scant linkages between them. The categories individuals use to interpret lower level elements (e.g. combining research and doctoral student teaching into a core faculty role) create a higher level of meaning. The vertical dimension characterizes higher-to-lower levels of abstraction, while the horizontal structure characterizes the degree of differentiation at a given level (e.g. whether an individual believes that the role of professor has many duties or only a few). I will use this horizontal-vertical structuring of schemas as a conceptual tool for exploring the antecedents of psychological contracts.

Psychological contracts themselves can form schemas with horizontal-vertical structuring. From a psychological contract perspective, beliefs regarding promises and discrete obligations are perhaps the most basic level of complexity (Fig. 4). The categories individuals use to interpret these lower level units represent higher levels of complexity. For example, the belief that an organization has committed to provide long-term internal career opportunity, as well as employability elsewhere if business necessity requires it, can lead one person to form the higher level belief that his employment arrangement is a relationship and not a transaction. Further, if this individual holds an MBA, that employment relationship can exist in the context of an occupational ideology where market factors are central. Occupational ideology can influence what that individual defines as appropriate treatment in employment. Were our hypothetical individual to be a physician instead of an MBA, what he or she believes to be appropriate fulfilment of a relational agreement might be shaped by a different occupational ideology. The basic idea is that beliefs regarding an employment relationship are interconnected in ways that give rise to broader units of meaning. Over time, psychological contracts can evolve from discrete beliefs to more elaborately organized schemas composed of many interrelated beliefs. Moreover, while psychological contracts themselves can function as schemas, other existing schemas related to employment influence psychological contract formation.

Pre-employment schemas

Pre-employment schemas provide a lens through which workers view employment experiences and the obligations these create. Such schemas are acquired through prior socialization (e.g. societal, occupational, or related to previous employment).

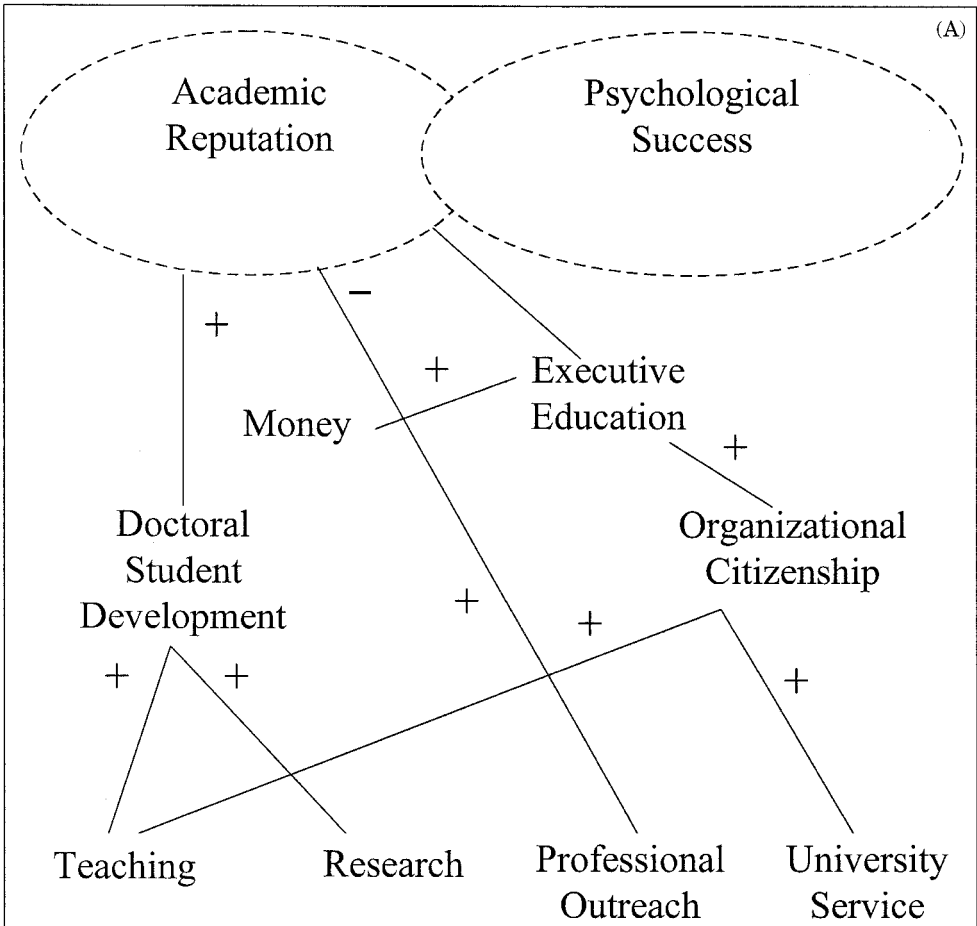


Figure 3. (A) Hypothetical professional-school 'professor' schema.

Some pre-employment schemas help account for individual differences in psychological contracts, while others contribute to widely shared features. To illustrate, I will focus on two; first, the norms and ideologies associated with professions (which can account for some differences in psychological contracts within the same firm), and second, the legalisms associated with societal beliefs regarding the law and its practices (which are often shared by members within a firm).

Professional norms and ideologies often exist prior to an encounter with a particular employer. Bunderson (in press) reports two distinct, though potentially co-existing, ideologies among clinical caregivers: an administrative ideology represented in terms of the health-care system's role as a 'market enterprise' and a professional ideology characterizing its role as a 'community servant' (together, these ideologies represent a horizontal dimension). These ideologies accompanied a host of lower level, discrete obligations nurses and physicians ascribed to their

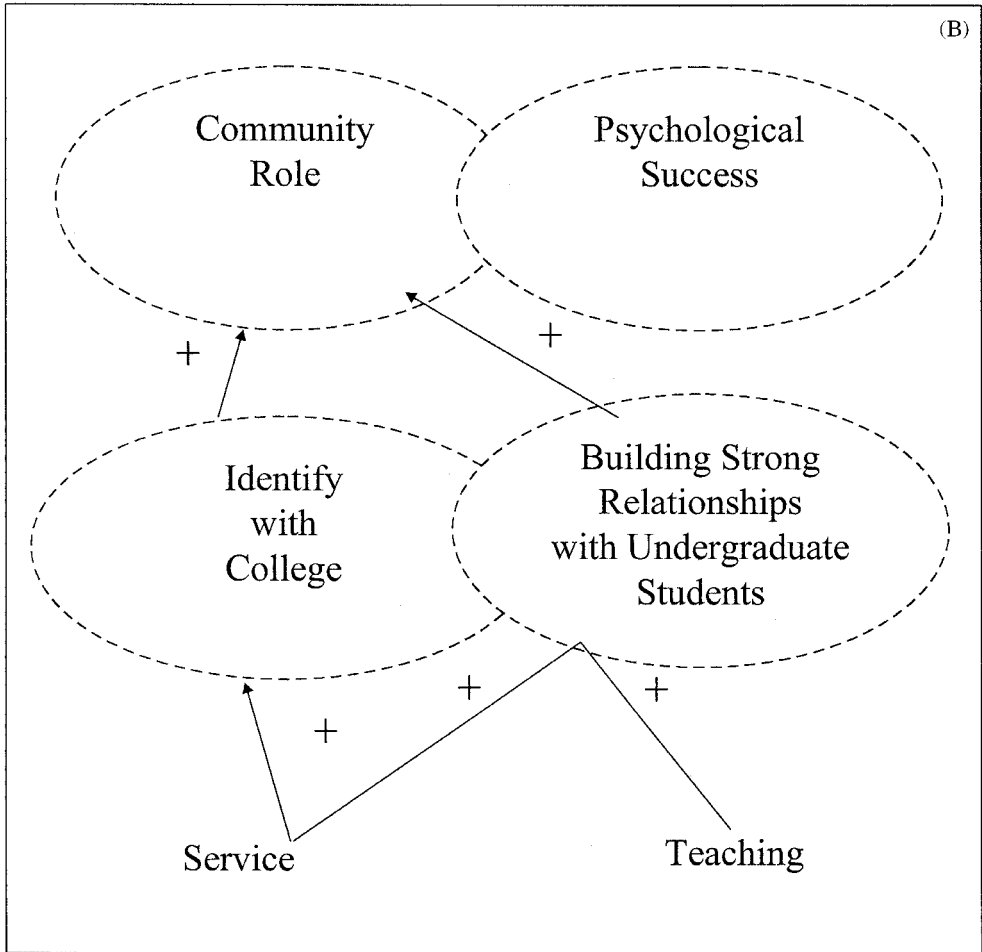


Figure 3. (B) Hypothetical liberal arts-college 'professor' schema.

employer. In this model of psychological contracts, the vertical dimension ranged from higher level ideologies to lower level obligations.

Believers in a particular ideology are more likely to react negatively if the employer fails to fulfil commitments in that domain. In Bunderson's example, the employer's failure to fulfil perceived professional obligations reduced patient satisfaction and caregiver productivity. Failure to fulfil perceived administrative obligations reduced worker satisfaction and increased turnover. Whether clinical caregivers have a complex schema regarding their role in the health-care system (i.e. espousing both ideologies), or a simpler schema (i.e. one ideology), has implications for how they respond to health care's changing economic environment. A health-care system's emphasis on financial performance can be viewed as conflicting with concerns over patient care quality for those to whom the professional ideology is dominant (Bunderson, in press). Hospital changes that focus on

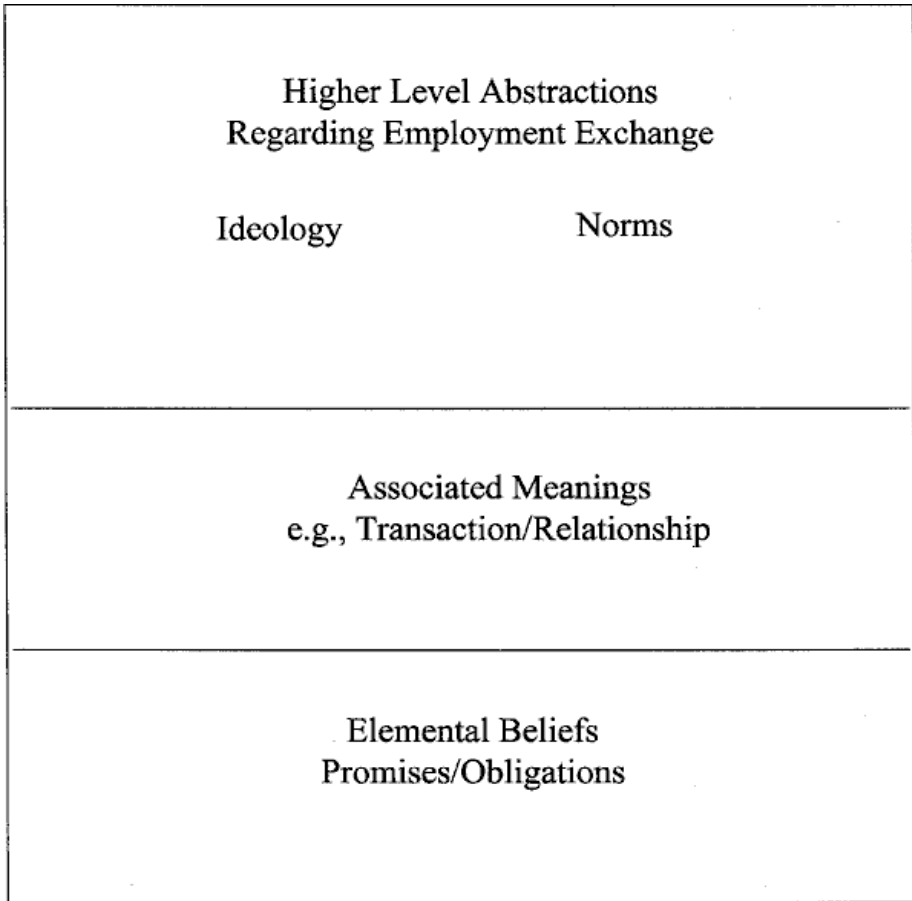


Figure 4. Psychological contract represented as a schema.

business issues may thus be interpreted as a violation of existing commitments to provide quality of care, independent of their actual care consequences.

Legalisms constitute another source of schemas shaping pre-employment interpretations of the worker–firm relationship. Societal culture creates systems of beliefs regarding the law and legal practices and the rights, obligations, and entitlements of its members (Stolle & Slain, 1997). People tend to discount the benefits of search and deliberation when preprinted contract terms are used (Eisenberg, 1995, p. 243). Legalistic schemas favor the giver of the form, not the receiver (Stolle & Slain, 1997). Employers can signal that actions are legally binding through such practices as having applicants and new recruits sign the company mission statement or a receipt for its employment manual—regardless of the actual

legal standing of such documents (Schmedemann & Parks, 1994; Stolle & Slain, 1997). Such practices can evoke socially shared schemas regarding enforceable agreements and conditions of employment. Employers soliciting commitments from workers regarding future obligations to the firm can use legalistic schemas as a means of both socializing newcomers as well motivating change among veteran employees. Society-based schemas such as these are relatively stable and enduring because the social milieu reinforces them.

So far, this discussion of schema and psychological contracts as a manifestation of schemas has described a vertical and horizontal structure of schemas and ways in which pre-existing schemas can influence the psychological contracts individuals form with an employer. We next turn to examining schema formation during recruitment and socialization.

Incomplete information

At its outset, both applicants and new recruits are likely to have limited or incomplete information regarding the nature of their employment relationship. At the same time, the employer and its agents also have incomplete information regarding the recruited individual. The concept of schema helps us understand how psychological contacts can form and function when incomplete information exists regarding the other party's intentions or expectations. Schemas serve an interpretive and inferential function, helping people fill in the blanks created from missing or unavailable data (Crocker *et al.*, 1984). Schemas are likely to provide important cues for new hires regarding how to deal with lack of detailed information regarding their role and their broader relationship with the employer. When specific information is not available, it is possible to make good guesses. For workers, the social context, particularly information received from coworkers (e.g. regarding role responsibilities, job security, Feldman, 1976; Thomas & Anderson, 1998), and the presence of a supportive immediate manager (Tekleab & Taylor, 2000), can aid employees in interpreting their employer's signals. Locally experienced events, particularly in relation to managers and coworkers, are the most common source of information (Gundry & Rousseau, 1994). People use this information to fine-tune their initial understanding of the psychological contract regarding what they can expect in the employment relationship and what they need to provide in exchange. Similarly, the firm's agents (e.g. its managers) also tend to rely on certain sources of information regarding new recruits, such as asking coworkers how well the recruit is fitting in.

Because most psychological contracts develop through a phase as incomplete schemas, which people flesh out over time, we expect different psychological contracts to emerge depending upon whether high-quality (trusted, clear, and explicit) sources of information are available and sources provide consistent information. People are motivated to discern patterns, creating meaning that enables the interpretation of current experiences to provide a basis for predicting future events and guide their own subsequent behaviour (Welch Larson, 1994). When high-quality sources have provided consistent information, both employer and worker are more likely to make accurate predictions about the actions of the

other, reinforcing their schemas. As schemas become more complete, employer and worker are better able to identify appropriate behaviour to maintain and fulfil commitments each has made.

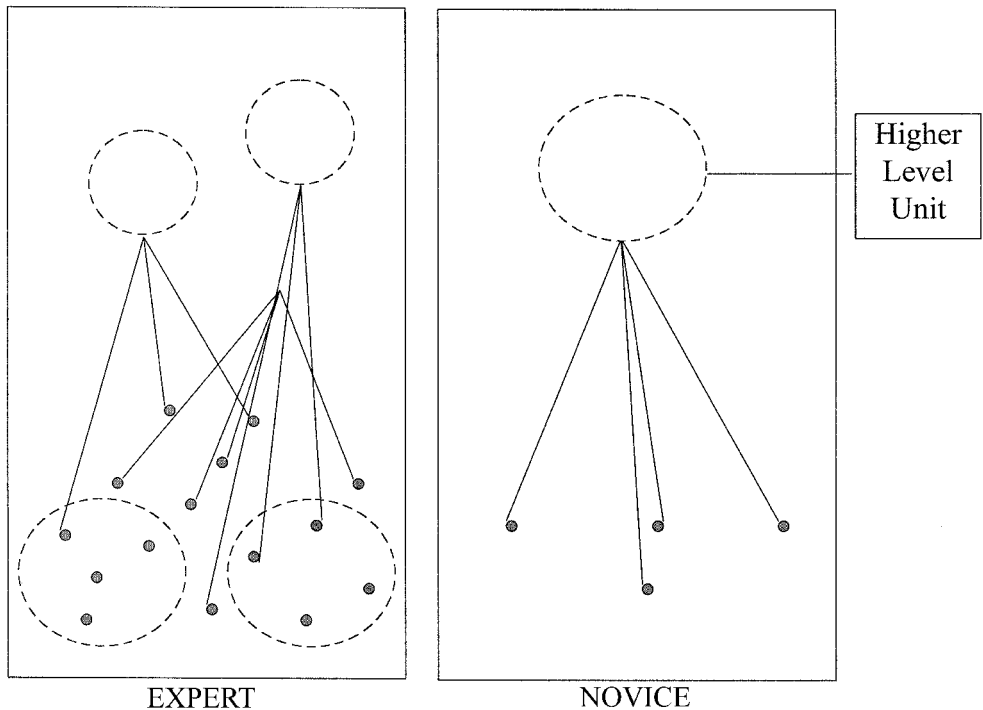
Stability and change

Over time, schemas are fine-tuned, their terms changing as feedback from the environment improves their accuracy (Rumelhart & Norman, 1978). Schemas tend to reach a stage of completeness where the individual's experiences are consistent with the beliefs the schema holds. Stable schemas tend to resist change.

The ability of schemas to resist change is usually quite functional for the perceiver (Crocker *et al.*, 1984). Stable schemas lend a sense of order, structure and coherence to social stimuli that would otherwise be complex, unpredictable, and often overwhelming. In the initial phase of schema development, individuals typically acquire isolated facts that they interpret in terms of pre-existing schemas and add to their existing knowledge structures. Gradually, the learner begins to assemble these pieces into schemas that provide him or her with more conceptual power until a level of automaticity is achieved (Shuell, 1990, p. 538). Interestingly, consumer product manufacturers have capitalized upon the automaticity of established product schemas by reducing the amount of product a package contains (from soap to potato chips) while keeping the packaging—and the price—the same (Winter, 2001). Customers often do not notice a change until one is pointed out. Similarly, some firms manipulate employee benefit plans in ways that make it difficult for workers to determine whether the benefits are truly different (e.g. by changing the payout schedules for retirement benefits).

Two findings in research on schema change are particularly relevant to psychological contract information. The first finding is that experts and novices differ both in their schemas and in the way they process discrepant information. Experts tend to have more elements in their schemas, with greater horizontal differentiation and many more vertical linkages among elements (Fig. 5). Not surprisingly, experts also have more accurate schemas and are better able to apply their schemas to new circumstances. Because of greater schematic complexity, experts have more constrained belief systems than novices (Welch Larson, 1994, p. 23). Informed people can better use contradictory information but are less likely to be influenced by it (Welch Larson, 1994, p. 24). Novices may thus react more effectively to new information than experts where schematic change is warranted (Welch Larson, 1994, p. 28).

From a psychological contract perspective, research on the schemas of experts and novices suggests that new hires with substantial prior experience may hold different schemas about employment than their less experienced counterparts and are likely to react to new information differently. Experienced people appear more likely to incorporate experience with a new employer into pre-existing belief systems. For this reason, firms seeking innovative employment relations (e.g. Proctor and Gamble facilities run by autonomous work groups) often locate in rural areas with little history of adverse industrial relations. Moreover, in planned organizational change, veteran employees—whose psychological contracts have



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| <ul style="list-style-type: none"> • More Elements • Complex Linkage | <ul style="list-style-type: none"> • Fewer Elements • Simpler Linkages |
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Figure 5. Schemas of expert and novice.

been formed over a long period—tend to have a more difficult time accommodating to changes in the employment relationship than do more recent employees or those hired after the change was initiated. In the latter case, the new psychological contract is the only ‘deal’ the new hires have ever had with the firm (Rousseau, 1995).

The second finding from schema change research is that schemas are most likely to change when people are motivated to make the cognitive effort change requires (Rumelhart & Norman, 1978). In general, people are more willing to focus on information that supports existing beliefs (Swann & Read, 1981). None the less, stimulating individuals to more deeply consider information inconsistent with their schema can promote schema change. Changing a psychological contract, then, requires people to be motivated to process discrepant information more deeply than they would do otherwise.

One of the most effective ways to evoke deeper processing of new information and lead to a revised psychological contract is to help people experience changing circumstances as if they were newcomers rather than veterans in an established arrangement (Rousseau, 1995, 1996b). When veterans are motivated to act as

newcomers, they are more likely to apply their skills and experience to participate effectively in a new employment relationship. (Firms have been known to fire all employees and rehire them the next day in the effort to create 'new' psychological contracts. Note that this type of behaviour can generate such a negative reaction, and little of the necessary deep information-processing, that it is far from the preferred approach.) A more effective way to motivate change is have current employees interview for new and different positions, while making clear the potential benefits and gains from doing so. Similarly, having people negotiate new conditions with their employer following a merger or acquisition can also promote revision in psychological contract terms. Such negotiation gives both sides input, participation, and choice regarding new terms, as is often the case when a worker joins a new employer. Framing the change as a transition to a new relationship in which people are motivated to participate can generate cognitive effort to re-interpret their employment relationship (and apply often dormant skills regarding how to be 'a newcomer'). The resulting behaviours (negotiation, information gathering, discussion, and sense-making) promote the deeper cognitive processing necessary to revise an existing psychological contract.

Schemas do change but slowly, and sudden conversions are few (Welch Larson, 1994, p. 29). Information that differs from a person's existing beliefs must be unambiguous to produce significant schema change. Otherwise, the information is likely to be assimilated into an existing schema rather than changing the schema into a new one. The problem is that most organizations offer mixed messages in times of both change and violation. Rather than effectively motivating change, such discrepant information tends to be processed only on the surface, and ultimately rejected (Crocker *et al.*, 1984). Influenced by the current information-processing load, how schematic material is organized, and the individual's motivation to process it, the impact of new information on an existing schema hinges on whether the perceiver commits additional resources to interpreting it. Factors that can influence the amount of time available to make the change, competing cognitive demands, the available attention individuals have to process new information, and the skills individuals bring to that processing.

Finally, the perceiver's motivations or goals must favor accuracy over the maintenance of old schema (Crocker *et al.*, 1984, pp. 205–206). From the individual's perspective, changing the psychological contract often has negative consequences. Job insecurity, skill obsolescence, and the turnover of friends and familiar relationships are all departures from the *status quo* that change recipients experience as losses. In contrast, when change is viewed positively, it is more likely that its recipients will be motivated to make the cognitive effort that schema change requires.

Credible sources are also important in promoting the active processing of new information. In particular, trusted change agents can generate a deeper consideration of discrepant information that people might otherwise tend to ignore (Rousseau & Tijoriwala, 1999). Change recipients are less likely to believe in a hidden agenda or non-transparent motives when change instigators provide multiple and consistent messages regarding their intentions (Jick, 1993; Poole, Gioia, & Gray, 1989).

Consequences when schemas are not shared. While failing to achieve objective agreement in perceptions is itself a core topic in psychology (discussed below), research on schemas provides insights into the nature of agreement. An inaccurate schema can lead to a lack of mutuality or agreement between parties in an employment relationship. Coordinated action is facilitated by the existence of schemas for events (called 'scripts') so that terms like 'customer on the line' or 'computer's down' evoke appropriate courses of action. Having incorrect or inconsistent schemas leads to inefficiency, since it takes people longer to figure out the correct response to an event (Crocker *et al.*, 1984).

Incorrect schemas also lead to inaccurate judgements (Crocker *et al.*, 1984, p. 199). For example, therapists listening to a tape of two men talking were more likely to make a diagnosis of pathology when they believed that the tape was a recording of a patient intake interview than where they were told it was a job interview. Once a schema has been incorrectly applied and decisions have been made, it may be very difficult to disconfirm the schema and reverse the consequences of the decision (this is why people who have been misdiagnosed as mentally ill have difficulty reversing the perception). The persistence of inappropriate schemas may explain why it is so difficult to overcome resistance to planned organizational change among those whose psychological contracts remain unrevised throughout the implementation process. In a study of empowerment among nurses, one reluctant participant described the hospital's shift toward decentralized decision-making as 'communism'. Needless to say, she did not adapt to the changes the hospital implemented (Rousseau & Tijoriwala, 1999). Having an incorrect schema compounds errors in judgement because people alter reality to fit their schema (a form of self-fulfilling prophecy). Given the high costs of incorrect schemas, it is a good thing that people are not solely theory-driven (focusing only upon confirming their schemas) but are also data-driven and at least somewhat responsive to stimuli they process.

Implications

Because psychological contracts are a form of schemas, research on schema or mental models can provide a general framework to advance our understanding of psychological contract formation and change. This discussion raises some potentially important issues for future research:

- (1) As schemas, psychological contracts are often relatively incomplete in their initial phases, motivating individuals to seek out and integrate new information to better understand their employment relationship. Understanding the conditions under which people are motivated to seek such information is important to identifying how it is then incorporated into the psychological contract. Experiences incurred during this information-seeking phase are likely to have lasting effects on an individual's psychological contract. We expect different psychological contracts to emerge in an employment relationship depending upon whether (a) high-quality sources of information (trusted, clear, and explicit) are available and (b) consistent information is provided across

sources. Once psychological contracts have arrived at a level of completeness wherein many linkages exist among their elements, these psychological contracts are expected to be relatively durable and resistant to radical change.

- (2) The extent to which individuals have formed stable psychological contracts is related to whether the individual is an expert/veteran or a novice/newcomer in his or her understanding of an employment relationship. Expertise influences the inclusion of new information into old knowledge structures. Veterans with substantial expertise regarding their employment relationship are likely to have well-developed psychological contracts that are more difficult to change because they contain more linkages and information to which new facts can be accommodated. Experts are often less responsive to contradictory information. On the negative side, this means that change might be more difficult for people who have been with an organization for a long time. On the positive side, contradictory information may erode trust less among veterans than those whose psychological contracts are less developed. One additional question is whether newcomers who are experienced in other organizations form psychological contracts differently than do less experienced rookies. Research on schemas generally suggests that they would.
- (3) In the process of change, new information that differs from existing psychological contracts need not always give rise to revision. An important question is how the process of psychological contract change is shaped by the volume, presentation, and timing of discrepant information as well as the degree of activity on the part of the change recipient in gathering and processing such information. The business school faculty in our example who teach at another university engaged in executive education while on sabbatical may return with radically changed schemas regarding their professional scale.
- (4) Existing schemas are the lenses through which subsequent experiences are viewed. Thus, it is plausible that different psychological contracts give rise to diverse interpretations of the same organizational events, from communiqués to corporate activities. More research is needed into (a) how workers with different pre-employment schemas (e.g. professional, societal) interpret employer promises and actions and (b) how workers who form different initial psychological contracts with their employer interpret subsequent employer promises and actions.
- (5) Schemas change when there are rewards supporting their revision and accuracy. After psychological contracts are formed, rewards associated with psychological contract change play a role in motivating a revision. A revised psychological contract may be best motivated by clear incentives for accuracy (e.g. knowledge of the dysfunctional consequences from not changing as well as the gains to be accessed under the new arrangement).

Moreover, psychological contracts offer some distinctive features relevant to the better understanding of schemas. First, psychological contracts represent schemas that can operate in the relations among workers and the many agents of firms (recruiters, managers, and coworkers) as well as the firm itself. These parties have multiple and, to some extent, divergent motives that can influence how

psychological contracts as a mental model of the employment relationship develop, stabilize and change. Because employment exists in an institutional context (shaped by law, societal beliefs, occupations, etc.), psychological contracts are schemas shaped by multilevel factors, allowing the study of complex cognitive organizing. Given the rapid rate of change in employment world-wide, psychological contracts provide an opportunity for examining schema development and change on a global scale.

Promises

The term 'promise' has several uses, according to the *Oxford English Dictionary*. A promise is a spoken or written assurance made to another, a commitment made to one's self, or conditions that create expectations on the part of another. In examining research on promises, two forms of promises are apparent: promises arising from words, whether spoken or written, and those derived from the interpretation of actions, including discrete behaviours and repeated practices. It is important that neither words nor actions in and of themselves convey a promise, but rather the words or actions taken *in context* signal that a commitment is made. This connection between context, words, and actions creates meaning. Not surprisingly, since promises are interpretations, the following discussion will return us to schemas as a basis for interpreting promises. This examination of the relevance of research on promises to the formation of the psychological contract addresses:

- (1) Promises conveyed in words, focusing on research into the forms of speech conveying promises, speech acts as a behaviour-regulating mechanism, the cognitive biases and incompleteness associated with verbal promises, and the contexts that encourage or inhibit the use of verbal promises.
- (2) Promises conveyed through action, the contexts shaping the belief that actions signal promises, and the role of schemas and cognitive biases in interpreting action-based promises.

Promises in words

Verbal promises go by many names: commitments, voluntary agreements, pledges, and warranties, to name but a few. Promises are a fundamental unit in virtually all typologies of speech (Bernicot & Laval, 1996) and a basic building block of inter-personal relations (Rubin & Lewicki, 1973) and cooperation with groups (Dawes, van de Kragt, & Orbell, 1988). They have been investigated variously as pragmatic linguistic units, as mental models of obligation, and as social judgments regarding appropriate conduct (Politzer & Nguyen-Xuan, 1992).

Without promises, employment relationships as we know them could not exist. From the selection interview to the informal incentives a supervisor offers to motivate workers, promises are inherent in day-to-day human-resource management activities (Rousseau & Greller, 1994). Concomitantly, applicants make promises regarding their willingness to join, participate, and remain with the organization, and those who become employees make promises regarding their

daily activities and longer term career behaviour. Hollywood mogul, Samuel Goldwyn is quoted frequently as saying 'a verbal contract isn't worth the paper it's written on'. Though popular opinion has at times agreed with Goldwyn, and some economists refer to spoken promises as 'cheap talk', spoken promises as well as written promises are essential to human relationships. Typically, promises indicate the intent to provide a recipient with some benefit (Rubin & Brown, 1975). By doing this, promises increase the psychological attractiveness of the transmitter and increase the odds that agreements will be reached (Rubin & Lewicki, 1973). Promises create not only obligations but also trust by providing information that people would not otherwise possess about another's intention.

Speech acts

As the minimal units of linguistic communications, speech acts are the basic units of analysis in research on spoken or written communications. Two forms of speech are specifically related to promises (Winograd, 1978, citing Searle, 1975). Assertive speech commits the speaker to something's being the case—a warrantee. Commissive speech commits the speaker to a course of action—an explicit promise¹. Warrantees and promises are fundamental to the formation of psychological contracts based upon verbal acts (Rousseau, 1995, ch. 1). Both speech acts take effect by virtue of their public declaration and by mutual knowledge of bearer and receiver that an act has occurred.

Interestingly, there is no need to actually use the word 'promise' if future action or assertion statements are used (Bernicot & Laval, 1996, p. 119). This is because commissive promising and warranting are purposive acts. In other words, they occur in a context that signals the intention to promise whether or not 'I promise' is said. Still, the mere fact that words have been uttered or written down can never be sufficient for concluding that a promise has been made (there is a difference between using words as opposed to mentioning them). It is not even enough to use words with the intention of giving a promise ('If you do this, I will pay you \$100.') because securing that a promise has been made requires an adequate response from the recipient ('Okay.')

The giving and receiving of promises is possible only among those who can effectively communicate. A promise made to a goldfish or a robot is not binding, because an exchange of promises requires competence and intent, meaning that both promisor and promisee should know what they are doing. The necessary conditions for verbal promise making are: the perceived *intention* to commit one's self, the *competence* to fulfil one's commitment, and a specific target or *recipient* for the promise. In addition, the promise must concern some *future act under the promisor's control*, the *promisee must want* the promisor to perform that act, *the act would not otherwise happen* in the normal course of events, and verbal phrases are used that are *conventionally understood* to place the maker under obligation to perform (Orbell

¹Previously, I have described two kinds of promises, warrantees and communications of future intent (Rousseau, 1995, p. 16). To avoid confusion with the designations used in research on speech acts, the present article refers to warrantees as expressions of fact and commissive promises as verbal statements of future intent. The term 'promises' is used here to encompass the broad array of verbal and non-verbal expressions of future intent.

et al., 1988, p. 816). The interpretation of speech acts engaging in promises and warranties hinges on a variety of attributions the hearer makes regarding the above seven elements.

Perhaps the most important aspect of interpreting a speech act as a promise is the context in which it occurs. A recruiter who 'mentions' the experiences that recent hires have had in the firm can be reasonably construed to promise the hearer that he or she will have the same experiences upon joining up. Similarly, potential assignments discussed during a performance feedback meeting might be interpreted as being contingent on whether the desired performance level is achieved. 'Context' refers to the facts of a situation that give it meaning. A key aspect of context is whether promise-making and exchange are to be expected in those particular circumstances. Recruitment, socialization, and certain repeated interactions that occur in employment (e.g. performance reviews) are occasions where promise-making and exchange are expected. In effect, a 'promise-making' schema exists. Thus, verbal expressions occurring on such occasions are likely to be interpreted as commissive promises. Moreover, because verbal promises are a means of signaling intent, they are more likely to be made early in a relationship where parties lack more concrete information regarding the intentions of one another.

Warrantees are statements that certain expressed facts are indeed true. The employment relationship (and relationships generally) could not exist without the parties conveying to each other information that is understood to be veridical (Pearce, 2000). A résumé or application is a warrantee that the potential new hire has the background, education, and competencies that the document asserts. Similarly, the information firms provide to workers both before and after hire regarding the health and nature of the business all fall into the category of warrantees. The push for transparency in the financial information firms share with workers is a means of both motivating workers to behave in ways that promote the firm's financial health and enhancing employer–employee trust despite an often turbulent economy (Ferrante & Rousseau, 2001).

Competence

Speech acts require both hearer and receiver to have conversational competence, that is the ability to communicate effectively. Research on conversational competence often focuses on conveying and understanding promises. Flores (1981) demonstrated that people communicate more effectively when they develop the ability to distinguish the kinds of commitments made in conversations. Competence in interpersonal communication is a critical element to effective promise-making and psychological contract formation (Guest & Conway, 2000; Rousseau, 1995). Organizations themselves may be characterized as having a communication competence, the capacity to communicate effectively with their members and other constituents. Of course, the degree of communication competence varies. Such a competence likely arises from the mutual reinforcement of organizational culture and structures that promote authenticity, consistency, and trustworthiness. Important areas for future psychological contract research are the individual and organizational competencies that contribute to a well-understood

exchange relationship between a firm and its workers. It is likely that conditions that have been associated elsewhere with effective motivational, performance and management systems (e.g. Lawler, 1992) are relevant to creation of psychological contracts that benefit both workers and the firm.

Regulating one's behaviour

Beyond their use in an exchange between parties, promises are also a means of regulating one's own behaviour to achieve a desired outcome (e.g. weight loss, overcoming addiction). Promises that are intention statements applied by an individual to him or herself are often termed 'plans' or 'resolutions'; these parallel a class of promises called covenants, contracts and agreements made in the presence of other people (Kanfer & Karoly, 1972, p. 431). The role of promises as self-regulating mechanisms is evident in the growing popularity and success in the United States of virginity pledges among teenagers (Schemo, 2001).

Frederick Kanfer and colleagues (e.g. Kanfer, Cox, Greiner, & Karoly, 1974) have conducted perhaps the most extensive behavioural research on self-regulating promises. This research examines the use of written contracts as a means to generate self-regulation by experimental subjects, clinical patients, and individuals engaged in self-help activities such as dieting or quitting smoking. Its basic finding is that promises act as performance criteria against which individuals hold themselves accountable: 'The provision of a specific goal is exactly one of the critical components defining a formal contract' (Kanfer *et al.*, 1974, p. 617). Subjects who voluntarily agreed to explicit written contracts were more likely to persist with actions they otherwise did not enjoy (keeping their hand in ice-cold water) than did those who had merely received oral instructions to do so (Kanfer *et al.*, 1974). Promise-keeping was greater where incentives were offered for keeping the promise and was less where experimenters conveyed disinterest or disrespect for the subject (a form of violation).

Along the same lines, psychological contracts as self-regulating mechanisms can motivate individuals to perform to the conditions of an existing agreement with others. Shanteau and Harrison (1991) found that people are reluctant to violate an existing agreement unless the incentives for doing so are made highly salient (such as a greatly increased salary offered by another employer). Even then, a plurality of experimental subjects elected to remain with the employer to whom they had committed. Psychological contracts have been postulated to regulate behaviour through a variety of mechanisms: as a goal the individual accepts, through one's self-image as a promise-keeper, out of concern for the losses the other party would incur, through social pressure and concern for reputation, and by reinforcement through incentives (Rousseau, 1995, pp. 24–26). However, little research has been conducted to examine the relative impact of these mechanisms or their potential interactions.

Cognitive biases in promises

Cognitive biases operate in both the making and interpretation of promises. On a systematic basis, people are unrealistically optimistic in making promises. They

often underestimate risks such as economic losses. In effect, actors give too little weight to future costs (Eisenberg, 1995, p. 216). This bias is apparent in research on realistic previews, where in the absence of specific negative or qualifying information, new recruits typically have inflated expectations regarding the positives associated with the firm that hires them (Wanous, 1982). People are more inclined to make promises when they feel a sense of efficacy and control over the situation (Rotenberg & Cerda, 1994). Unrealistic optimism can create both perceived efficacy and controllability and, in doing so, promote the use of promises even when it is inadvisable to do so.

The presumption of mutual agreement in psychological contracts itself can reflect a cognitive bias. In evaluating commitments, people tend to believe that a majority of others agree with them. This false consensus is a form of egocentric bias (Turk & Salovey, 1985, p. 11) that is more likely to exist when others are believed to be similar to the focal person.

In-group/out-group biases in expectations (Insko, Scholper, Hoyle, Dardis, & Graetz, 1990) influence both promise making and perceptions of promise-keeping. Rotenberg and Cerda (1994) found that Native Americans and Caucasians each tended to hold within-group expectancies of promise keeping and out-group anticipation of lies and promise breaking. Orbell *et al.* (1988) found that they could capitalize on in-group bias through a minimal group-creation process using 10 minutes of group discussion. Subsequent to such discussions, participants were more willing to make and keep promises with one another.

Incompleteness

Incompleteness is inherent in promise-making. Individuals' cognitive limitations make it difficult to specify all contingencies or express conditions in advance. Uncertainty regarding the future compounds the difficulty. However, incompleteness in promise-making is not always inadvertent. At times, incompleteness is deliberate. To avoid impasse over unresolved disputes when other important issues are already agreed upon, incomplete agreements can be made with a promise to resolve them later. This is typically the case in labor-management negotiations. A headline once proclaimed 'UAW, Automakers find some things better left unsaid', indicating that American auto manufacturers bargaining with the United Auto Workers union have made side agreements to resolve certain issues later. One such matter might be exclusion of certain facilities from a job-security provision. Temporarily avoiding such contentious issues permits both sides to position themselves as winners—the unions for the benefit of their members and the companies for Wall Street support.

Incompleteness is more likely to be deliberately incorporated into a promissory agreement when a relationship already exists between the parties or when a mechanism can be created for resolving future disputes. The association of relational agreements with incompleteness is one potential explanation for the higher rate of violation Robinson and Rousseau (1994) reported for relational as opposed to transactional psychological contracts. However, the existence of a

quality relationship is also important to a subsequent satisfactory resolution in the aftermath of violation (Rousseau, Robinson, & Kraatz, 1992).

Context of verbal promises

Promises implied by words are understood in context. Context affects the likelihood that a maker of a promise believes it has been conveyed as well as understood. Social psychological research on promises indicates their widespread use where people are motivated to signal positive intentions. Betz and Fry (1995) report that promises are more likely to be made in interpersonal than in inter-group or international disputes. In inter-group circumstances, threats are preferred to promises (at least when the subjects are introductory psychology students). Promises can convey one's intent to not use coercive power when requested conditions were met and to either induce behaviour or attempt to prevent it (DeDreu, 1995). Promises generally tend to elicit good feelings toward the transmitter, while threats induce hostility (Rubin & Brown, 1975). In a prisoner's dilemma experiment, after discussion, most participants proposed cooperation and kept their promises at the same rates with a text-only computer as they did with a person (Kiesler, Sproull, & Waters, 1996). Cooperation tended to drop when any partner avoided discussion. Active verbal promise-making is more likely to occur in circumstances where people are motivated to signal positive intentions and where there is less likelihood that their true intentions will be known through other means.

Research on promises suggests that the inclination to make promises, and to promise more rather than less, is likely to occur early in the employment relationship when parties possess less information about each other. This research further suggests that promises would be used more frequently when employee and employer have similar backgrounds. Promises are more frequently conveyed in laboratory studies involving interpersonal rather than inter-group relations, and are more common in in-group rather than out-group relations. Such a pattern suggests that promises are more frequently expressed among individuals who believe they have common backgrounds or shared experiences, or in conjunction with other contextual factors that create a sense of similarity between the parties. None the less, since promises are explicit signals of positive intentions, their expression can be a means of creating trust and establishing a relationship that might not otherwise exist.

The second issue regarding the context of verbal promise-making is its impact on the recipient's understanding of a promise. Recipients are likely to interpret promises similarly in settings characterized by many mutually reinforcing messages (e.g. promises regarding training and development in a firm with a reputation as a developmental employer). As in the case of sets of human resource practices that operate simultaneously in high involvement workplaces (referred to as 'bundles', MacDuffie, 1995), bundles of convergent human-resource practices increase the likelihood that workers will have a common understanding of their psychological contract with their employer.

An individual's existing psychological contract also provides a context for subsequent promise making. Promises that are interpreted as consistent with the contract are likely to be experienced as a form of contract fulfilment, while those that are viewed as discrepant are either ignored or engender a sense of violation. For example, promising individuals that they will be promoted if they work on weekends can be viewed as contract-consistent by 20-something workers hired as 'fast-trackers'. However, the 30-something parents of young children might view the same promise as a break with the employer's commitment to be family-friendly. New promises accompanied by cues evoking an existing psychological contract ('in keeping with our commitment to be a family-friendly, we offer you the opportunity to work non-traditional hours') can be part of an effective strategy on the part of a firm to promote employee accommodation and acceptance of a planned change (Rousseau, 1995).

Promises through action

Promises need not be spoken or written to signal the intent to act in a certain way in the future. Individuals can gather accurate information regarding another's intentions from an array of indirect as well as non-verbal sources (e.g. observation, history, and interactions over time). Administrative signals are a common source of promissory messages. Benefits packages that expand as seniority increases implicitly suggest the promise of retention over time. Visible rewards given to a coworker prompt others to monitor what that person did that merited the reward, as well as assessment of what one might have to do to obtain the same payoff. Recruiting practices can signal promises despite using few if any words. Advertisements for the Big Five accounting/consulting firms in the United States show lean, well-dressed young people performing athletic feats. They use few words but signal opportunity, learning, and high performance. Often, different ads are used to effectively target separate demographic groups (e.g. Bem & Bem, 1973). These relatively simple ads can evoke broad meaning in the minds of recipients. Human resource practices are, in effect, structural signals regarding the organization's intentions toward its workers and are interpreted as such (Nordhaug, 1989; Rousseau & Greller, 1994).

Promissory signals can also include such organizational practices as recruiting policies, training programs, performance review and incentive systems. How individuals read such signals has received relatively little attention (see Nordhaug, 1989 and Nicholson and Johns, 1985, for exceptions). Nicholson and Johns (1985) indicate that established practices supported by socially shared interpretations provided by work groups can form the basis of normative contracts where workers believe that an agreement has been made upon which they can rely. In their study, a company's policy regarding sick leave formed the basis of a widely shared sense of entitlement to a number of guaranteed number of days off a year (whether sick or not). Context shapes how such signals are interpreted. In this case, long-standing policies discussed by individuals in their work groups over time led to normative beliefs workers shared regarding those practices.

Employers tend to engage more frequently in explicit communication regarding intentions in the earlier stages of socialization. Later on, they can assume that experienced employees know what to expect (Wanous, 1982). Thus, we anticipate that active promising might decline over time in the development of an employment relationship, while promises inferred from actions increase along with the parties' familiarity with each other.

While some verbal cues directly convey intentionality, promises based upon actions are highly influenced by the context of those actions. The role that context plays links our discussion of action-based promises back to our earlier discussion of schemas. The most important factor is whether an individual is motivated to pay attention to particular actions in the first place. Again, as in the case of schemas, the motivation to interpret actions as promissory depends on what other demands are competing for the individual's attention and what incentives there are for paying attention to such cues. A supervisor who has played up the successes of a coworker can effectively motivate someone to pay attention to what that coworker is doing—especially if the busy season is over and that coworker sits in the office next door. Promises can be interpreted from actions based upon observation of rewards others receive, interpretation of critical incidents by both individuals and the social units of which they are a part, and structural signals such as human resource practices. Although individuals are likely to seek better understanding of their employment relationship through communication with, and observations of, others, there are limitations to the accuracy of both information obtained and interpretations made of it. For this reason, structural signals derived from human resource practices tend to send more coherent signals when bundles of practices mutually reinforce each other (MacDuffie, 1995; Rousseau, 1996a).

Implications

This review of research on promises raises issues regarding when and to whom promises are made and how these are interpreted. These issues generate some potentially significant research questions regarding the formation of the psychological contract in employment:

- (1) Because promises are more likely to be made by individuals who identify with or perceive a relationship with another, the question arises regarding the conditions under which verbal promises are likely to occur in employment. This review suggests that both workers and employers vary in their willingness to promise depending on their perceptions of the other party (e.g. similarity). More research is needed on how worker characteristics impact employers' willingness to promise, and vice versa.
- (2) Information that applicants and employers provide to each other is typically viewed as a warranted communication, that is, what each provider offers is assumed to be true. Lying to an employer during recruitment is grounds for dismissal. Providing credible signals that the information one offers is true is important in both the creation and maintenance of a well-functioning employment relationship (Pearce, 2000). The current hyper-competitive economic

environment puts pressure on both applicants and would-be employers to provide credible information and to create signals that can be effectively read by the other party. A worker aged 40 whose résumé shows a dozen employers in 20 years is less rare today than previously, and that fact conveys a different meaning. Employers looking at the résumé of an applicant with a 'boundaryless career' conducted in and out of numerous firms is likely to ask questions like 'Is this 20 years of experience or one year of experience repeated 20 times?' Similarly, workers who join an employer whose workforce has turned over several times in the last decade may view this as a sign of the employer's unreliability or of an opportunity to enhance one's future employability. If those erstwhile employees are known to have gone on to attractive employment elsewhere, as in the case of many management consulting firms, the meaning is likely to be the latter. More research is needed on the role of information, about applicants and firms, in the formation of the psychological contract.

- (3) Most research on promises has focused on spoken or written communication. Far less attention has been given to promises implied by management actions or human resource practices. Nordhaug (1989) found that one particular human-resource practice, training, was variously interpreted depending on the frame of reference held by individuals and their organization. We have suggested that management actions and administrative structural signals are likely to be relied upon as promissory information, particularly by veterans who experience fewer direct communiqués regarding promises. We need to understand more about whether it is the practices themselves, or other signals that accompany them (e.g. the co-occurrence of sets of practices such as training and follow-up performance evaluations), that shape interpretations. New recruits and veterans are likely to view the same practices and actions differently as a function of differences in available information and pre-existing beliefs. One particularly interesting area for future research is the commitments regarding the future that would-be recruits, new hires, and veteran incumbents derive from (the same) incentive systems such as compensation and benefits practices (Rousseau & Ho, 2000). It is likely that existing psychological contracts provide workers with context from which to interpret their employer's subsequent actions (and vice versa).
- (4) We know that workers often believe that their managers and others in the firm make promises that bind the larger organization to a particular course of action (Guest & Conway, 2000; Rousseau, 1995). However, we know little about the intentions behind promise-making by managers and other agents of the firm. Some 'promise-making' is likely to be conscious and intentional and some not. Guest and Conway (2000) report that senior managers in four large British firms were more inclined to see themselves as embodying the organization and speaking for it than were their junior counterparts. They also note that employees in these organizations concurred with senior management's view regarding the contract-making role of senior managers. Researchers are increasingly examining the employers' side of the psychological contract (e.g. Coyle-Shapiro & Kessler, 2000; Guest & Conway, 2000). We need more research and theory addressing the shift from principal (e.g. managers making

commitments to subordinates that bind themselves) to agent (e.g. managers making commitments to subordinates that bind the firm) among those parties participating in contract making.

- (5) To date, promise keeping has typically been studied from a worker perspective, focusing on the extent to which individuals (typically employees) believe that their employer has fulfilled or violated its commitments (e.g. Robinson & Rousseau, 1994). We have examined the consequences of violation from the victim's perspective, but not the perpetrator's. Yet more importantly, there is far less research on why commitments are kept or violated in the first place (see Shanteau & Harrison, 1991, for an exception). Prior research leads us to expect that rewards for promise-keeping promote honouring commitments. The multiple motives behind decisions to keep versus break commitments include business incentives for opportunism as well as reputational, moral, and behavioural supports for contract fulfilment. We have much to learn regarding how people enact the decision whether to honour commitments, their *ex-ante* and *ex-post* beliefs regarding their obligations where violation occurs, and the contextual factors influencing whether commitments are honoured. There is also the interesting question about the multi-level impact of rewards and sanctions on promise-keeping and breaking. Research on promise-making and breaking is typically conducted at the level of the individual or the group. Recalling the old saying 'countries do not have friends, they have interests', we should be wary of isomorphism attributing motivations and experiences of persons to those of firms or other large collectives. Research on the antecedents of promise-keeping and breaking by firms is clearly fertile ground for future research. Moreover, the emphasis on violation in psychological contract research runs the risk of obscuring the dynamics of psychological contracts when these are investigated only in the aftermath of an adverse event such as a violation. Particularly in one-shot cross-sectional studies, there is a danger of psychological contracts being evoked to account for the negative responses people have to unpleasant events, without providing evidence of their existence prior to the violation experience. Our focus here on the prospective role of psychological contracts in shaping employment experiences is an attempt to further our understanding beyond the narrow lens of violation.

Objective versus perceived agreement

Research on objective versus perceived agreement provides some answers to the question of when the psychological contract is likely to be mutual. The condition of 'perceived agreement' is, of course, in the eye of the beholder. The tendency toward false consensus is widely noted in the literature on perception. Individuals tend to believe that a large portion of others believe as they do (Turk & Salovey, 1985, p. 11). Mutuality means that the parties involved do in fact hold the same beliefs regarding their obligations to each other. Perceived agreement is a necessary, but not the only, condition needed to achieve mutuality. Other factors that give rise to mutuality include:

- (a) objective accuracy in individual perceptions;
- (b) shared information between the parties;
- (c) having the power or the right to ask for terms deemed in one's own interest;
- (d) having the right to consent to or reject the terms of the agreement.

Objective accuracy

Accuracy occurs when environmental information is encoded without supplementation or omission and decoded without bias (Higgins & Bargh, 1987). Accuracy is most likely where individuals are familiar with each other and share prior experience in similar situations. Even when parties lack familiarity or shared experience, research on realistic preview suggests that greater accuracy regarding how conditions of employment are understood can result when the employer and its agent make special efforts to convey any negative information about the organization and the job along with the positives (Wanous, 1982). Note that accuracy is about freedom from bias and the capacity to effectively obtain information regarding the intentions and interests of the other party. These factors affect the competence of parties to participate in the formulation of an exchange agreement.

Shared information

The second dimension of mutuality is highly related to the first, in that the more information that the parties share, the less likely they are to lack pertinent information. Note that shared information need not be unbiased, because the parties can share the same frames of references and filters in making judgments. Indeed, shared biases can reflect the existence of schemas common to both parties (e.g. occupational ideologies). Shared biases can even work in favour of mutuality, although common information must exist for this to occur. Information is most likely to be shared when parties hold a volume of information pertinent to the employment situation, are familiar with the particular context in which the exchange arises, and interact frequently.

A lack of common experience and background is one likely cause of the frequent difficulty that women and minorities have in navigating through the career-development systems that were created for white men (Cox, 1993; Rousseau, 1996a). In effect, the same cues can send different signals depending upon the recipient's vantage point. A top management team consisting of senior white males promoted from within the firm signals opportunities for advancement to young white men, but the likelihood of a glass ceiling to women and minorities. Large social differences between the parties are likely to reduce shared understanding due to more limited opportunities for interaction and absence of common schemas and frames of reference. For this reason, we suspect that in high-power distance cultures, commitments that are mutually understood and freely entered into might be difficult to achieve (Rousseau & Schalk, 2000).

Power

Power differences between the parties can affect the ability of weaker individuals to directly communicate their interests. Highly autocratic leaders can constrain the

amount of information shared. In some settings, directly asking an employer for what one wants might be considered to be a sign of disloyalty or selfishness. Organizational researcher Jianmin Sun comments that in many Chinese firms, workers are expected to 'inspire their supervisor' to know their needs, since directly asking for something is seen as disrespectful (Rousseau & Schalk, 2000). Mutuality, in contrast, is fostered where each party has the power and/or the right to ask for employment terms deemed to be in his or her interest, because more direct communication is possible.

Power differences impact the worker's willingness to share with an employer information regarding his or her personal preferences. Moreover, such behaviour may not be socially or culturally legitimate (e.g. Ang, Yee, & Ng, 2000). Indeed, one of the basic premises of this article—that the psychological contract emerges from an information exchange and negotiation beginning during pre-employment—may be less valid in circumstances where workers lack the social legitimacy or power to reject terms provided by the employer. In such cases, whatever bargaining occurs is more likely to happen *ex post*, that is, once a relationship, and some degree of dependence, exist between the parties (Rousseau, 2001; in press).

Right to consent and to reject terms

Finally, having the right to consent to, or reject the terms of, the agreement promotes mutuality. When each party has input into formation of the employment relationship, there is less reason to dissemble or to avoid addressing one's interests. The considerable emphasis given in many societies to collective agreements rather than individually negotiated employment is likely to be due at least in part to the desire to rectify the limitations upon voluntary contracting in an otherwise uneven playing field between employers and individual workers.

Research into the dynamics underlying perceived agreement is critical. In contemporary employment, where workers and managers can come from different cultural and societal backgrounds, we need to better understand the bases for creating workable agreements. Societies with relatively closed social hierarchies might inhibit negotiated agreements between parties of different backgrounds, relying instead upon collective agreements or blanket regulations. When members of different social groups negotiate, there is increased incidence of mistrust, negative stereotyping regarding intentions, and greater use of threats relative to promises than in negotiations among members of the same group (Insko *et al.*, 1990). How precisely two parties communicate is partly a function of the perceived similarity between them. This is particularly the case when discussing promises regarding future actions (Winograd, 1987, p. 13). The level of precision is relative to each party's implicit anticipation that the other will have a sufficiently shared understanding to carry out the action in a satisfactory way. In ongoing interactions, differing interpretations can give rise to conversations that lead to clarification (Winograd, p. 16). However, it is often the case in organizational change that those introducing the change (senior managers or external consultants) do not continue to interact over time with change recipients. Instead, instigators of change rely on

their initial encounter to have conveyed the appropriate message, and hand off the responsibility for follow-through to intermediate managers, who themselves may not fully comprehend the change.

Rapid organizational change can make it more difficult to create mutual agreement. Moreover, rapid change can make it difficult for parties to fulfil their existing commitments. In a longitudinal study of employees in local governments, managers and workers reported a high degree of agreement regarding their obligations (Coyle-Shapiro & Kessler, 2000). None the less, both parties judged that while workers were honouring their obligations, the employing organization had violated its obligations. This study indicates that mutuality of understanding can occur even when psychological contracts are unfulfilled. In the specific case, the extent to which the employer was seen as able to exercise control over environmental factors affecting employment conditions influenced interpretation of fulfilment (or lack of it).

Implications

Agreement is a function of shared information and common schemas or frames of reference. While psychological contracts are predicated upon the perception of mutual agreement, whether objective agreement exists affects the likely outcomes for the parties to an exchange.

- (1) Shared information is critical to perceptual agreement between parties and therefore to their mutual understanding regarding promises and obligations. More research is needed on the kinds of shared information important to creating perceptual accuracy. Communicating each party's goals, constraints, and contingencies is just one type of information that can be relevant to forming mutual agreements. Moreover, since psychological contract formation typically is a process, not a one-time occurrence, the quality of the relationship over time will shape mutuality. More research is needed on how communication between workers and firms promotes or impedes perceptual agreement relevant to psychological contracts. Not surprisingly, frequent interaction between the parties has been implicated as one dimension of an effective relational contract (Wade-Benzoni & Rousseau, 1998) as well as effective change management (Poole *et al.*, 1989).
- (2) A common frame of reference between two parties promotes perceived and actual agreement. Higher level beliefs regarding the nature of the employment exchange (e.g. whether it is a relationship or a transaction, as we considered in our discussion of the horizontal structure of schemas) are likely to impact how individuals interpret discrete commitments. To the extent that these higher level beliefs are themselves shared by employer and employee, it is more likely that specific promises the parties make to each other will be effectively understood and subsequently performed.
- (3) Because power differences shape both information exchange and the voluntariness of human relationships, they also play a potentially important role in reducing the mutuality in employment relations. Recognizing the potential

impact of power differences raises the issue of whether the applicability of the concept of psychological contract is bounded. It is questionable whether the psychological contract can operate as a voluntary agreement when employees are extremely low in power relative to their employer (Rousseau & Schalk, 2000).

Conclusion

The foremost problem underlying psychological contract formation is how to create agreement between the parties to an exchange. Previous organizational research has focused more upon disagreement and psychological contract violation. While many such instances may be due to unanticipated factors arising subsequent to the formation of the psychological contract (e.g. radical organizational change, serious economic downturns), some adverse consequences in the employment relationship may be related to the conditions of its formation. Research into psychological contract formation provides the opportunity to examine forces promoting mutuality, agreement, and future fulfilment as well as the more dysfunctional aspects that give rise to violation. Advancing our understanding regarding the origins of agreement is fundamental to cooperative and mutually beneficial employment relations. Psychological research on schemas, promises, and agreement provides insight that organizational researchers can deploy in understanding the origins of, and impediments to, mutuality in psychological contracts of employment.

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