

**ATTITUDINAL AND BEHAVIORAL OUTCOMES OF PSYCHOLOGICAL
CONTRACT BREACH: A CROSS-CULTURAL COMPARISON OF THE UNITED
STATES AND HONG KONG CHINESE**

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ABSTRACT

This study responds to the call for more cross-cultural examinations of the psychological contract (Rousseau & Schalk, 2000) by investigating differences in: (a) the perceived importance of various psychological contract obligations, (b) the frequency of perceived psychological contract breach, and (c) employee attitudes and behaviors following psychological contract breach. A sample of sixty American and seventy-six Hong Kong Chinese employees completed measures related to the psychological contract, job satisfaction, intention to turnover, organizational commitment, job performance, and organizational citizenship behaviors. Results showed that the employees from both cultures differed in terms of perceived psychological contract importance and breach. Specifically, the American workers placed higher importance and perceived less breach of both intrinsic and extrinsic psychological contract outcomes than the Hong Kong employees. Additionally, American employees responded more negatively to perceived breaches of intrinsic outcomes while their Hong Kong counterparts responded more negatively to perceived breaches of extrinsic outcomes. Limitations of the current study and suggestions for future cross-cultural research are discussed.

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Organizations across the globe are experiencing stiff competition and a business environment marked by uncertainty and change. In response, many companies have altered the psychological contracts that they have with their employees (Cappelli, 1999). As a result, research examining the composition of psychological contracts has increased significantly in recent years (Rousseau & Schalk, 2000; Westwood, Sparrow, & Leung, 2001). Psychological contracts are the set of beliefs held by an individual employee about the terms of the exchange agreement between the employee and the organization (Rousseau, 1989). Unlike formal employee-employer contracts, the psychological contract is inherently perceptual and therefore one party's interpretation of the terms and conditions of the obligations within the contract may not be shared by the other (McLean Parks & Schmedemann, 1994; Rousseau, 1995, 1998).

Initial research on psychological contracts in the United States has focused on identifying various components of the psychological contract (Rousseau, 1998), and examining the negative consequences that arise when employees perceive that their organization has breached the contract by failing to fulfill one or more of their obligations (Robinson & Rousseau, 1994; Robinson, Kraatz, & Rousseau, 1994; Robinson 1996; Rousseau, 1995). While these early studies were informative and helped managers identify ways to better manage their domestic workforces, they still did not provide a complete picture of the challenges of (and potential solutions to) effectively managing the employee-employer relationship in other countries (Westwood, Sparrow, & Leung, 2001).

Recognizing that cultural norms and values may influence the psychological contract perceptions that employees formulate, the purpose of this study is to empirically test the

differences that may exist between psychological contracts that are operating in the United States (US) and in Hong Kong. We will accomplish this objective by examining three separate issues. First, we attempt to contribute to the international literature on psychological contracts by examining whether US and Hong Kong employees differ in the psychological contract obligations they expect as well as what promises they value most from their employers. Second, this study will examine differences in the extent to which US and Hong Kong employees perceived that their psychological contracts were fulfilled (or breached). Finally, we will examine differences in US and Hong Kong responses (both attitudinal and behavioral) to psychological contract breach.

In relation to psychological contracts, management scholars have identified a number of socio-cognitive dimensions upon which countries may vary in their beliefs and values. For example, Sparrow (1998) contends that national values will influence how employees interpret and process information regarding the content of their psychological contracts. Individual predispositions and motivations will also differ across countries (or regions of the world) and may influence how employees approach work and/or their psychological contract with their employer. Widespread globalization dictates that it would be prudent to learn more about psychological contracts in foreign countries and identify how these relationships compare and contrast to the employment relationships that characterize the United States.

LITERATURE REVIEW

Cultural Norms and Psychological Contracts

Although economic conditions play a major role in how psychological contracting evolves, we believe that *cultural norms and values* will also have a significant effect on the psychological contract obligations that exist within a given culture. National culture can shape

how individuals receive and process information within their environment (Shaw, 1990). This can influence perceptions about employment expectations and obligations that define an individual's psychological contract with his/her organization. Rousseau and Schalk (2000) identify three cultural factors that may influence the nature of psychological contracts. The first of these factors they label the "zone of negotiability," which represents the degree to which employees (in that culture) have the freedom to enter into exchange agreements. The zone of negotiability can be influenced by customs, laws, and/or the status and family responsibilities of an employee (Rousseau & Schalk, 2000). For example, laws can serve to lessen or exacerbate power differences between employees and employers. Furthermore, culture may influence acceptable work and family roles based on gender.

The other two factors Rousseau and Schalk (2000) highlight include: (a) the extent to which a culture perceives promises as binding, and (b) the way in which cultures go about identifying and interacting with in-groups (individuals that identify with one another based on some type of commonality) and out-groups. They explain that in more rigid cultures, promises are believed to indicate that someone *will* do something (i.e., they are binding), whereas more relaxed cultures tend to have a looser interpretation of promise making such that they serve as an indication the other party will *try* to do something (although the result is not guaranteed). While some individualistic cultures are very limiting in terms of who is considered to be the in-group (e.g., employees place themselves first), other more collectivistic cultures are more accepting of a broader in-group (e.g., everyone within the company). The type of promises that are offered between in-group members may be different than those offered between members who claim separate group identities.

Types of Psychological Contract Outcomes

Employees have expectations relating to different facets of their work. For example, Robinson (1996) found six distinct psychological contract dimensions. One way to distinguish between different types of psychological contract obligations is to identify whether the outcomes deal with the job itself and influence intrinsic motivation (e.g., challenging and interesting work) or if they deal with the extrinsic consequences of completing one's work (e.g., salary and benefits). We differentiate between intrinsic and extrinsic outcomes in this study because it has been a meaningful distinction in previous psychological contract research in both the United States (e.g., Lester & Kickul, 2001) and Hong Kong (e.g., Westwood et al., 2001).

Capitalism, Confucianism, and Psychological Contracts

As a capitalistic society, the US places an emphasis on individual outcomes. In addition, US citizens tend to value personal achievement and short-term gain (Hofstede, 1983). To maximize personal outcomes, American workers often approach their employee-employer relationship with the mindset of "what have you done for me lately?" Consequently, US culture is characterized by: a wide zone of negotiability, non-binding promises (unless they are in writing), and narrowly defined in-groups.

Hofstede and Bond (1988) discuss various "Confucian values" that guide the Chinese in their daily life. One key principle of Confucian teaching is that the family is the prototype of all social organizations. Ingrained in this principle is that a person is not primarily an individual, rather, he or she is a member of a family. Children should learn to restrain themselves, to overcome their individuality so as to maintain the harmony in the family (if only on the surface) (Hofstede & Bond, 1988). If the Chinese culture views the company as a "family," their

reactions to psychological contract breach may be driven by a perceived obligation to maintain family harmony.

Confucian values also stress that a person should take pride in what one does and demonstrate diligence in one's own work (Oh, 1991). This also may have implications for the obligations that the Chinese place the most importance on and how the Chinese choose to respond to psychological contract breach if it is perceived. They may decide to continue to perform at a high level even when job characteristics may not be personally fulfilling. Thus, the Confucian culture is characterized quite differently than the American culture. Specifically, Confucianism promotes a narrow zone of negotiability, binding promises, and a more broadly defined in-group.

East Meets West: Hong Kong Chinese and the Psychological Contract

Hong Kong provides a unique environment in which to examine psychological contract issues because it was under British rule until July 1, 1997. Hong Kong is facing many of the economic and employment challenges experienced by US corporations during the 1980s and early 1990s (Tsui & Wang, 2002). In an effort to maintain their profit margins and remain competitive in their industries, many Hong Kong businesses are making changes and accommodations to their workforce (e.g., employee layoffs, maintain/reduce compensation and incentive packages, decrease benefit offerings, eliminate training/development programs). Hong Kong has a solid financial system and uses many of the same technologies found in more developed Western countries like the United States (Cheng, 1986). Despite their status as a key player in the global economy, 98% of the population speaks Cantonese and identifies themselves with at least some aspects of traditional Chinese culture (Bond & King, 1985). Ralston and his colleagues (1993) articulately capture the role of outside influences on Hong Kong business, "...

Hong Kong managers are the product of capitalism and Confucianism” (p. 252). Because the Hong Kong Chinese have been exposed to a variety of external and internal influences, it is expected that we will see both similarities and differences between the psychological contract perceptions of the Hong Kong Chinese and Americans in this study.

Westwood, Sparrow, and Leung (2001) examined the nature and content of psychological contracts in Hong Kong. They investigated the role that both the external, business environment as well as internal management practices has on an employee’s perception of the promises and commitments made by their organization. Westwood et al. (2001) demonstrated links between the business environment and the nature of the psychological contract that evolves in Hong Kong. These authors comment, however, that additional research should be conducted to investigate how culture influences the link between perceived contract promises, their degree of fulfillment (or breach), and employee reactions and behaviors.

HYPOTHESES

Cross Cultural Differences in Ratings of Psychological Contract Importance

Our first objective is to examine if culture influences the psychological contract components that employees view as being most important. Being at the crossroads of Chinese culture and American wealth, has made the economic meaning of work particularly important in Hong Kong. The basis for this stems from the prevalence of the familial ideology of utilitarianistic familism, which Lau (1981, p. 201) defined as a "normative and behavioral tendency of an individual to place his (her) family interests above the interests of society or any of its component individuals and groups, and to structure his (her) relationships with individuals in such a fashion that the furtherance of his (her) familial interests is the primary consideration." Furthermore, this ideology tends to emphasize economic gain, which becomes the prime concern

of the people of Hong Kong (Lau, 1981). Given the emphasis on the family in most Chinese societies, economic gain is pursued not so much at the individual level but rather at the familial level. The key cultural distinction between Hong Kong and the People's Republic of China (PRC) concerns the definition of in-groups. While individuals in the PRC are more inclined to view members of their work organization as "family," Hong Kong employees tend to limit their in-group to blood relatives (Westwood et al., 2001). Providing economic resources and benefits are ways that Hong Kong employees can maintain harmony at the familial level and maintain their Confucian values (Hofstede and Bond, 1988).

Because their primary responsibility is to provide for their families and kinship groups, Hong Kong employees are very much concerned about their earning power and their ability to achieve economic gains. While American workers can be materialistic at times, many US workers are more concerned about higher-order needs that concern issues beyond the economic stability of a paycheck (Pfeffer, 1998; Maslow, 1965). Americans often place greater value on work careers. Without the expectations of providing for the extended family, US employees often focus on psychological contract obligations that relate to the job itself. For example, Lester and Kickul (2001) found that Americans rated intrinsic outcomes as more important than extrinsic outcomes of the psychological contract. Conversely, Hong Kong employees often function in familistic ownership structures. The paternalistic management styles in Hong Kong promote a concentration of power at the top of the familial hierarchy. Given this structure, Hong Kong workers often have lower expectations regarding intrinsic outcomes such as autonomy, challenge and recognition (Redding, 1990; Westwood, 1997). In light of these lower expectations, we would expect Hong Kong employees to attribute less importance to intrinsic psychological contract outcomes. Specifically, we propose the following.

Hypothesis 1: The Hong Kong Chinese will place more importance on the extrinsic component of the psychological contract than their American counterparts.

Hypothesis 2: Americans will place more importance on the intrinsic component of the psychological contract than their counterparts in Hong Kong.

Cross-Cultural Differences in Ratings of Psychological Contract Breach

A comparison of Hong Kong to the US on the cultural dimension of power distance reveals that the Hong Kong Chinese expect greater disparities in power (Hofstede, 1991). This dynamic is expected both in their society as well as in their work organizations. Organizational power is often associated with participation in decision-making, autonomy on the job, high responsibility levels, and the respect of peers. Many of these power sources are derived from intrinsic outcomes. Since only the patriarchs of the organization and a few close confidants are expected to have power in Chinese cultures, we believe that Hong Kong employees will expect fewer organizational promises of intrinsic outcomes. In turn, we also expect them to report fewer breaches of an intrinsic nature.

Hofstede and Bond (1988) discuss the Eastern value of Confucian work dynamism. This value refers to a belief in the ordering of relationships by status and the importance of respecting tradition by giving credit to the larger collective for organizational successes. Ralston et al. (1992) found that Hong Kong employees scored higher on this cultural dimension than their US counterparts. US culture is very individualistic (Hofstede, 1983) and American employees will often attribute success to their own efforts and express a greater sense of entitlement (Miles, Hatfield, & Huseman, 1994). Work, rather than family, frequently plays a more central role in US workers' perceptions of self-worth. Consequently, it is important for these workers to perceive that their job is characterized by a high level of task significance (Hackman & Oldham,

1975). American employees often have higher expectations for empowerment as they come into an organization. US culture supports competition among companies for the best available talent. Offering a greater variety of intrinsic outcomes (e.g., greater decision-making power, more freedom to be creative, etc.) helps companies achieve their recruiting needs; however, it also “raises the bar” in terms of the intrinsic outcomes that American workers expect to receive (Lawler & Finegold, 2000).

Extrinsic outcomes are certainly influenced by economic conditions. We acknowledge that an organization’s ability to fulfill financial promises can be compromised. Nevertheless, cultural values may also play an important role in perceptions of extrinsic breach. For example, organizations sometimes offer intrinsic rewards to make up for the loss of extrinsic outcomes. In the United States, this exchange of extrinsic and intrinsic outcomes is likely to be more accepted because American workers are expected to provide for only those in his/her immediate family. In addition, the hierarchy of needs in American culture is based on inner needs of the individual so intrinsic outcomes are highly valued (Maslow, 1965). Conversely, Hong Kong Chinese also have financial obligations to blood relatives in their extended family. Furthermore, the Chinese hierarchy of needs focuses on the needs of the society, so attention is often placed on superordinate goals such as housing and wages (Nevis, 1983). Thus, when extrinsic outcomes are not forthcoming, we expect the Hong Kong Chinese to express greater perceptions of psychological contract breach. Specifically, we propose:

Hypothesis 3: American employees will perceive higher levels of psychological contract breach regarding intrinsic outcomes than the Hong Kong Chinese.

Hypothesis 4: The Hong Kong Chinese will perceive higher levels of psychological contract breach regarding extrinsic outcomes than American workers.

Cross-Cultural Differences in Attitudinal Reactions to Psychological Contract Breach

Previous research has demonstrated that psychological contract breach can lead to negative attitudes such as decreased job satisfaction, decreased organizational commitment, and increased intentions to leave the organization (Robinson, 1996; Robinson & Rousseau, 1994; Turnley & Feldman, 1999). Previous research also suggests that the severity of the employee's reaction will in part be determined by the importance the employee placed on the breached outcome (Morrison & Robinson, 1997). Thus, we asked subjects in this study to rate the importance they placed on each psychological contract outcome. If outcomes were rated highly, they were identified as having "high psychological contract importance". We expect that employee attitudes in both the United States and Hong Kong will deteriorate following a breach of a valued outcome. Nevertheless, we do expect cross-cultural differences to arise based on which component of the psychological contract is breached. Because of the financial pressure that utilitarianistic familism places on Hong Kong employees, we would expect their attitudinal reactions to be more negative when extrinsic outcomes are breached. American workers, on the other hand, often derive more of their self-worth from their career (Mannheim & Dubin, 1986). Since US employees often spend more time at work, we expect that they will be more upset when breaches of an intrinsic nature occur.

Hypothesis 5: In conditions of high psychological contract importance, the Hong Kong Chinese will view breaches of the *extrinsic* component of the psychological contract more negatively than their American counterparts.

Hypothesis 6: In conditions of high psychological contract importance, American employees will view breaches of the *intrinsic* component of the psychological contract more negatively than their counterparts in Hong Kong.

Cross Cultural Differences in Behavioral Responses to Psychological Contract Breach

Previous research has found that psychological contract breach is negatively related to in-role performance and multiple types of organizational citizenship behaviors (Robinson, 1996; Turnley & Feldman, 1999). Similar to attitudinal reactions, behavioral responses to breach tend to be more severe when the outcome being breached is highly valued by the employees (Morrison & Robinson, 1997). We expect that the emphasis on economic gain in Hong Kong will lead employees in that country to have more negative behavioral responses when psychological contract breach reduces their ability to provide for their families. To communicate their displeasure, Hong Kong employees may try to reduce the earnings of those located at the top of the familial ownership structure. On the other hand, US organizational cultures emphasize career mobility. If extrinsic outcomes are lacking, American workers may still perform at a high level to ensure themselves opportunities to leave the organization and find their desired outcomes elsewhere (Bernhardt, Morris, Handcock, & Scott, 2001). This type of movement between organizations in Chinese cultures is often frowned upon.

Work plays a central role in the lives of many Americans (Mannheim & Dubin, 1986). US culture dictates that career success will be achieved by outlasting your competition. Because US workers are willing to spend more hours on the job, they expect their jobs to be intrinsically motivating. Americans tend to work harder when they are provided with positive job characteristics such as skill variety, task identity, task significance, autonomy, and feedback (Hackman & Oldham, 1975). When intrinsic motivation is undermined by a lack of responsibility and empowerment, US employees will often look for ways to withhold effort and performance.

Interestingly, psychological contracts of the Hong Kong Chinese appear to be more one-sided than their US counterparts (Westwood et al., 2001). Westwood and his colleagues found that the Hong Kong Chinese felt that the employee was more obligated to his/her employer than the employer was obligated to them. Furthermore, "... not only are employees seen as being obliged to work reliably, but they should also seek to enhance performance and add value" (2001, p. 638). In other words, it appears that Hong Kong organizations have a lesser obligation to enhance their employees' jobs, but these same employees are still expected to perform above and beyond the norm in the absence of intrinsic outcomes. Thus, we propose the following:

Hypothesis 7: In conditions of high psychological contract importance, the Hong Kong Chinese will react more negatively (i.e., lower job satisfaction, organizational commitment, organizational citizenship behavior, and higher intention to turnover) to breaches of the *extrinsic* component of the psychological contract than their American counterparts.

Hypothesis 8: In conditions of high psychological contract importance, American employees will react more negatively (i.e., lower job satisfaction, organizational commitment, organizational citizenship behavior, and higher intention to turnover) to breaches of the *intrinsic* component of the psychological contract than their counterparts in Hong Kong.

METHODOLOGY

Overview and Participants

We collected data from employees both in Hong Kong and the US. The employees from the Hong Kong sample worked in a banking organization that provided a wide range of financial services through a network of twenty-eight retail branches situated at strategic locations around Hong Kong Island, Kowloon, and the New Territories. The organization was a family-owned bank facing new competitive threats from two primary banking groups that occupy

approximately 70% of the market. In addition, there were about ten family owned banking groups of similar size to the case study organization that also target a similar customer base.

For our Hong Kong sample, participants were 76 employees of which 53% were male and 47% were female. The average age was 34.55 years. The average tenure of employees within the organization was 5.23 years. For our US sample, participants were 60 employees enrolled in a part-time MBA (Master of Business Administration) program (also employed full-time). Of these, 46% were male and 54% were female and the average age was 31.80 years. The average tenure of the US employees within their organization was 4.33 years. Finance and banking, information technology, sales and marketing, and organizational consulting were the occupational fields represented by the US sample.

Measurement and Procedure

In the questionnaire, all employees were asked to provide their beliefs about which psychological contract obligations were most important and how well their organization had fulfilled its obligations, including both extrinsic and intrinsic components of the psychological contract. Participants also rated their behaviors and attitudes toward the organization in relations to psychological contract fulfillment.

Psychological Contract Ratings (Importance and Breach). Participants were asked to indicate those psychological contract obligations that their organization had promised to them. This set of thirty-eight items was adopted from Lester & Kickul (2001) and includes the following promises: competitive salary, health care benefits, adequate equipment to perform job, challenging and interesting work, and increasing responsibilities. Participants were informed that the thirty-eight employer obligations may have been communicated to them explicitly (verbally or in writing) or implicitly (simply implied through other statements or behaviors).

Participants were asked to indicate the *importance* they attribute to specific psychological contract obligations using a five-point scale (1 = 'not at all important'; 5 = 'extremely important'). After checking off the psychological contract obligations that their companies had made to them, respondents were asked to indicate how well their organizations had fulfilled each of these marked promises. They rated the *fulfillment* of these promises using a five-point Likert scale (1 = 'not at all fulfilled'; 5 = 'very fulfilled'). Fulfillment ratings were then reversed scored to represent psychological contract *breach*.

Job Satisfaction. Job satisfaction was measured with the overall job satisfaction subscale from the Michigan Organizational Assessment Questionnaire (MOAQ; Cammann, Fichman, Jenkins, & Klesh, 1975). Participants responded to these statements using a seven-point Likert scale (1 = 'strongly disagree'; 7 = 'strongly agree'). Cronbach's alpha for this scale was .88 for the Hong Kong sample and .85 for the US sample.

Intention to Turnover. Intention to turnover was measured using a three-item scale from Meyer, Allen, and Smith (1993) that assesses an employee's tendency to continue as an employee of the organization. Responses to these three items were made on a seven-point scale (1 = 'strongly disagree'; 7 = 'strongly agree'). The Cronbach's alpha was .86 for the Hong Kong participants and .85 for the US participants.

Organizational Commitment. To measure the three components of organizational commitment (affective, continuance, and normative commitment), we used the 24-item measure from Meyer et al., (1993). Responses to these items were on 7-point scales (1 = 'strongly disagree'; 7 = 'strongly agree'). Cronbach's alphas were .86 for both affective and normative commitment and .70 for continuance commitment for the Hong Kong employees. Cronbach's

alphas were .85 for both affective and normative commitment and .75 for continuance commitment for the US employees.

Assessment of Employee Behaviors

In-Role Job Performance. Items to measure in-role performance were derived from Williams and Anderson's (1991) study. Employees were asked to rate themselves on each of the performance items using a seven-point Likert scale (1 = 'strongly disagree'; 7 = 'strongly agree'). The Cronbach's alpha of the scale was .80 for the Hong Kong sample and .77 for the US sample.

Organizational Citizenship Behaviors. To measure organizational citizenship behavior, a four dimensional scale from Moorman and Blakely (1995) was used. They assessed four specific types of citizenship: interpersonal helping, individual initiative, personal industry, and loyal boosterism. Participants were asked to indicate the extent to which they agree with the statements using a five-point Likert scale (1 = 'strongly disagree'; 5 = 'strongly agree'). Cronbach's alpha for each of the citizenship dimensions for the Hong Kong employees were: .80 (interpersonal helping, 5 items), .84 (individual initiative, 5 items), .80 (personal industry, 4 items), and .85 (loyal boosterism, 5 items). Cronbach's alpha for each of the citizenship dimensions for the US employees were: .78 (interpersonal helping), .85 (individual initiative), .78 (personal industry), and .85 (loyal boosterism).

RESULTS

To begin our analyses and to better understand the intrinsic and extrinsic nature of the psychological contract, principal factors analysis with oblique rotation was performed on the psychological contract items in the scale (as shown in Table 1). An examination of the scree plot suggested a two-factor solution. Following the recommendation of Comrey (1973), specific

items were then chosen with loadings above .32 on only one of the factors on these two factors to form measures of intrinsic and extrinsic psychological contract. The intrinsic psychological contract scale comprised a total of 11 items, while the extrinsic psychological contract scale comprised 13 items. The Cronbach's alpha of the intrinsic psychological contract was .89 for the Hong Kong participants and .90 for the US participants. For the extrinsic psychological contract, the Cronbach's alpha was .91 for the Hong Kong sample and .92 for the US sample.

Insert **Table 1** about here

Descriptive Statistics

Before we analyzed our hypotheses, we examined the means, standard deviations, intercorrelations, and the Cronbach alphas for the measures used in the study (see Table 2). The Cronbach alphas were all above .70 as recommended by Nunnally (1978).

Insert **Table 2** about here

Discriminant Function Analysis for Psychological Contract Importance and Breach

To examine our first four hypotheses, a discriminant function analysis was performed on the Hong Kong and US samples for psychological contract importance and breach (both intrinsic and extrinsic). The discriminant function had a $\chi^2(4)$ of 20.88, $p \leq .001$ with a canonical correlation of .41. Wilks' Lambdas Univariate analyses, as seen in Table 3, suggests that the Hong Kong and US employees differ in terms of psychological contract importance and breach. Although support was not found for hypothesis 1 which proposed that the Hong Kong Chinese would place more importance on the extrinsic component of the psychological contract than their American counterparts, hypotheses 2 was confirmed. Specifically, the US employees placed

higher emphasis (importance) on intrinsic psychological contract outcomes than the Hong Kong employees (see means in Table 3). A similar pattern of results was revealed for psychological contract breach. Counter to hypothesis 3, we found that the US employees perceived lower levels of intrinsic psychological contract breach than the Hong Kong employees. Support was found for hypothesis 4 that proposed that the Hong Kong Chinese would perceive higher levels of psychological contract breach regarding extrinsic outcomes than US workers.

Insert **Table 3** about here

Hierarchical Multiple Regression

Hierarchical multiple regression was used to test hypotheses 5-8. The main effects and second-order and third-order interaction terms were entered as the predictors in three steps into the regression equation. Where it would aid interpretation and further highlight our findings, we examined cultural differences on the employee attitudes and behaviors at high and low levels of psychological contract breach and importance (median-splits were conducted on both contract breach and importance).

Partial support was found for hypothesis 5. Results revealed significant three-way interactions between culture, psychological contract breach, and psychological importance on the employee attitudes of intention to turnover and normative commitment (see Table 4-5 for employee attitudes). As shown in Figure 1, the Hong Kong employees had lower levels of normative commitment than the US employees under conditions of extrinsic psychological contract breach and high contract importance.

Insert **Table 4-5 and Figure 1** about here

We also found support for hypothesis 6. When an intrinsic psychological contract outcome was breached and was highly important, the US employees had significantly lower levels of job satisfaction, affective commitment, and normative commitment than their Hong Kong counterparts. Moreover, they also had greater intentions to leave under conditions of intrinsic contract breach.

Similar results and support were found for Hypotheses 7-8. Specifically, for extrinsic psychological contract breach, three-way interactions were seen for the employee behaviors of job performance and the OCB dimensions of interpersonal helping, individual initiative, and personal industry (see Table 6-7 for employee behaviors). In examining hypothesis 7, Hong Kong employees had lower levels of job performance, interpersonal helping, individual initiative, and personal industry than the US employees. For example, as shown in Figure 2, the Hong Kong employees had lower levels of personal industry when their extrinsic contract was breached and was valued. For intrinsic psychological contract breach (hypothesis 8), we also found significant three-way interactions for job performance as well as the OCB measures of interpersonal helping and personal industry. Specifically, the US employees showed lower levels of job performance, interpersonal helping, and personal industry than the Hong Kong employees when their intrinsic contract was breached and was highly valued. Figures 3 and 4 displays these differences for interpersonal helping and personal industry.

Insert **Tables 6-7 and Figures 2-4** about here

DISCUSSION

Our study examines the cultural differences between Hong Kong Chinese and US employees regarding the psychological contract. We contribute to the growing literature on psychological contracts by investigating the role that cultural norms and values may have on employee interpretations of and responses to their psychological contract. Specifically, we examined cross-cultural differences in regards to (a) the perceived importance of various psychological contract obligations, (b) the frequency of perceived psychological contract breach, and (c) employee attitudes and behaviors following psychological contract breach.

For the last objective, we investigated how assessments of two employees' psychological contract and their corresponding breach may influence Hong Kong and US employees organizational attitudes and performance. One assesses intrinsic components of the contract including freedom, autonomy, control, open and honest communication, and participative decision-making. The other assesses extrinsic factors of the contract including benefits, job training, desirable work environments, and competitive salaries. Our results revealed that the US employees were more sensitive in terms of satisfaction, intentions to leave, affective commitment and normative commitment than the Hong Kong employees following an intrinsic contract breach. On the other hand, Hong Kong employees, responded more negatively to breach of extrinsic outcomes. In particular, this type of breach led to greater decreases in performance, commitment, and organizational citizenship behaviors for Hong Kong employees when compared to their American counterparts.

Differing Cultural Reactions: Psychological Contract Breach of An Intrinsic Nature

As previously mentioned, our study found that the US employees displayed lower levels of job satisfaction, affective and normative commitment, job performance, interpersonal helping,

and personal industry than the Hong Kong employees when their intrinsic contract was breached and was highly valued. These differences may be attributed to the values and expectations seen in the two cultures. While a psychological contract breach of an intrinsic nature may frustrate the Hong Kong employees, it may be their Confucian values and beliefs that allow them to accept this specific type of breach. In order to preserve harmony and stability within the company and/or work group, Hong Kong employees may not over-react to breaches within their contract that focus on more individualistic or intrinsic factors (e.g., autonomy) of their job/role within the organization. Because Confucian values also stress that a person should take pride in and demonstrate diligence in one's own work (Oh, 1991), many of the Hong Kong Chinese may continue to perform at the same level, regardless of an intrinsic psychological contract breach. Westwood et al. (2001) found that regardless of contract fulfillment (breach or no breach), 62% of the Hong Kong employees surveyed believe that they are strongly obliged to assist others and 74% feel obligated to work extra hours in order to accomplish their work.

Moreover, due to the competitive labor market within the past five years, many American companies have been forced to offer additional promises and work benefits to attract and retain their workers. In order to motivate many of their employees and readily apply their intelligence and knowledge, US firms have often promised extra rewards that may assist in defining their employees' jobs (e.g., freedom to be creative, participation in decision making) and future career/employment aspirations (e.g., increasing responsibilities). US employees may have a greater sense of entitlement of these types of outcomes and thereby behave and react more negatively when an intrinsic psychological contract is breached by their employer.

Interestingly, our study found that Hong Kong employees perceived higher levels of psychological contract breach regarding intrinsic outcomes than US workers. We have identified

two possible explanations for these unexpected findings. First, these results may be driven by the fact that our Hong Kong sample came from a small, family-owned bank. Lee, Tinsley and Chen (2000) propose that the Hong Kong Chinese will be more likely to form relational contracts (i.e., psychological contracts emphasizing intrinsic outcomes) when they are working with in-group members. All of the employees at this bank may have had some type of family connection and consequently they may have felt that the organization should have been more responsive to their intrinsic needs.

Another possible explanation for this result is that Hong Kong workers may see many of the intrinsic components (of the psychological contract) as prerequisites or “stepping stones” for attaining multiple extrinsic outcomes. For example, by receiving increased job responsibilities and participating in decision making, Hong Kong employees may view these intrinsic outcomes as one way in which they can improve and enhance their job status and rewards (e.g., additional compensation and benefits) from the organization. The fulfillment (or breach) of the intrinsic component of the psychological contract, such as on-the-job experiences (e.g., interesting and challenging work, autonomy), may take on added significance to the Hong Kong employee if it can assist him/her in providing future financial support for their familial groups.

Differing Cultural Reactions: Psychological Contract Breach of An Extrinsic Nature

Our study found that when an extrinsic psychological contract is breached and is valued, the Hong Kong employees had greater intentions to leave and lower levels of normative commitment and citizenship behaviors (interpersonal helping, individual initiative, and personal industry) than the US employees. One possible explanation for the more extreme Hong Kong responses to extrinsic contract breach may reside in the fact that these employees perceive extrinsic breaches as negatively impacting two important ways of life. For some extrinsic

breaches (e.g., competitive salary, job training, career guidance and mentoring), they may believe that the organization is preventing them from providing for their families because they are being denied important opportunities for self-advancement within the company (Taormina and Bauer, 2000). For other extrinsic breaches (e.g., adequate equipment, reasonable workload, enough resources to do the job), they may believe that the organization is causing them dishonor because they are preventing them from completing their own work with the due diligence that is stressed in Confucianism (Oh, 1991).

While the Hong Kong culture values strong ties and loyalty to employers, individual employees maintain their loyalty in a hierarchial fashion. Above all, the immediate family remains the most important entity. The ability to provide and protect the family is a driving force (Lau, 1981). This helps to explain the differing responses of the Hong Kong Chinese to an extrinsic and an intrinsic psychological contract breach. When an extrinsic breach occurs, a Hong Kong employee may feel that their ability to provide for their family is being threatened. Upon that threat, a Hong Kong employee will experience decreased loyalty to their company, a reduced willingness to engage in citizenship behaviors, and reduced employee satisfaction. Since intrinsic breaches (e.g. autonomy, trust and respect, meaningful work) do not threaten the security and stability of the Hong Kong employee's family, little effect is seen.

Limitations and Suggestions for Future Research

The major limitation of our study is the relatively low sample size of both cultures that may raise concerns when interpreting the small magnitude of the three-way interaction effects. Researchers (e.g., Pedhazer, 1982; Stone & Hollenbeck, 1984) have warned about interpreting the significance of the interaction terms that are based on the amount of variance explained (e.g., R^2). Therefore, Cohen and Cohen (1983) contend that it is important to examine the increment

or change in variance explained (e.g., ΔR^2) to determine whether the association being investigated is indeed moderated. To better understand the nature of the interaction effects, they recommend that researchers plot the relationships in question at different levels of the moderators. Our study utilized such an approach in order to examine the relationship between psychological contract breach and employee attitudes and behaviors by culture and at different levels of contract importance.

Additionally, the Hong Kong sample was from one primary organization whereas the US sample represented a variety of organizational settings. The Hong Kong sample results came from a family-owned business as opposed to a mixture of business ownership in the United States sample. Although we did demonstrate cross-cultural equivalence on our measures (i.e., acceptable Cronbach alphas for each sample on each measure) it is possible that something unique about that particular bank affected the results. Future research studies examining the Hong Kong Chinese should utilize larger samples from multiple organizations to ensure that our findings are generalizable.

Moreover, the Hong Kong employees involved in a family business may have a high context communicative environment that makes them more sensitive to any discrepancies within their contract. Thus, they may be more likely to perceive breach. However, this higher breach may be attributed to how Hong Kong employees perceived their degree of contract fulfillment. That is, since Asians are thought to have a modesty bias (Farh, Dobbins, & Cheng, 1991), they may have rated fulfillment lower (higher breach) than their American counterparts. It should be noted, however, that empirical testing of the modesty bias has been mixed and it may not be explained by broad cultural factors (Yu & Murphy, 1993). Additional research in this area is clearly warranted.

Additionally, our study did not capture contextual information regarding perceptions of the economy. However, we collected our data during the same time (Fall, 2001) when both cultures were experiencing similar economic slowdowns. This increases our confidence that these differences in perceptions and responses to breach may not be fully accounted for by economic conditions. Nevertheless, future studies should continue to examine contextual issues across cultures.

Cross-Cultural Implications and Recommendations for Managing Psychological Contracts

One important implication of this study is that Hong Kong employees perceive psychological contract breach more often than American workers. This suggests that native Hong Kong managers as well as American expatriate managers need to place more effort into effectively managing the employee-employer relationship that is evolving in that country. Until now, managers may have been less concerned about psychological contract breach in Hong Kong because they felt that the Hong Kong employees would have a lower sense of entitlement than American employees. Our results pertaining to psychological contract importance support this contention. Nevertheless, despite the fact that the Hong Kong Chinese appear to expect less than their American counterparts in regards to both intrinsic and extrinsic contract outcomes, they are still reporting higher levels of breach. More importantly, psychological contract breach is leading to negative attitudinal and behavioral responses by these employees.

A second implication of this study relates to how the Hong Kong culture goes about identifying in-groups. The identification of in-groups is one of the three cultural factors that Rousseau and Schalk (2000) propose will influence the nature and perceived fulfillment of psychological contracts. Although the Hong Kong Chinese do not appear to be as individualistic in their pursuits as US employees, they do not appear to be as inclusive as the

Chinese of the People's Republic of China when identifying their in-group. While Confucian values suggest that it is important for employees to consider their employer as part of the family, the concept of utilitarianistic familism that is prevalent in Hong Kong tends to limit one's in-group to the immediate family and blood relatives. Our results for extrinsic breach of the psychological contract suggest that once a Hong Kong organization interferes with its employees' abilities to provide for their immediate families and kinship groups, the employee no longer feels an obligation to remain loyal to the company.

Barnett's (1995) discussions with Hong Kong employees revealed support for this set of beliefs. Specifically, employees indicated that their company loyalty was not based on Confucian teachings; rather, it was a utilitarian, salary-dependent commodity that could be bought. This implies that managers must not lose sight of the economic meaning of work in the Hong Kong culture (Lau, 1981). The Hong Kong Chinese may view their work and position within their organization as a means of achieving the extrinsic and material outcomes necessary to support their family structure. Westwood (2002) found that Hong Kong employees placed family first and work second in terms of centrality to their lives. His study also found that income was rated the highest in terms of a valued work outcome, especially since it contributes to the well-being of an employee's family. He suggests that "any managerial motivational strategy should bear in mind the high value placed on financial rewards and recognize that strategies which work on intrinsic motivators are likely to be ineffective" (in Hong Kong).

To effectively manage employees' psychological contract, managers should pay attention to the extrinsic and intrinsic components of the employee-employer relationship and recognize which components are highly valued, depending on the employee's cultural background. The prominence of globalization dictates that managers must have a strong awareness of cultural

differences. Cross-cultural values and their influence on employee expectations may be integral in understanding and anticipating how to preserve a positive employee-employer relationship.

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TABLE 1
PRINCIPAL FACTORS EXTRACTION WITH OBLIQUE ROTATION

Psychological Contract Items	<u>Factor</u>	
	Extrinsic	Intrinsic
Retirement Benefits	0.68	
Continual Professional Training	0.67	
Health Care Benefits	0.66	
Job Training	0.65	
Well-Defined Job Responsibilities	0.59	
Career Guidance and Mentoring	0.59	
Reasonable Workload	0.56	
Enough Resources to do the Job	0.52	
Fair and Timely Performance Reviews	0.51	
Job Security	0.50	
Adequate Equipment to Perform Job	0.49	
Vacation Benefits	0.39	
Competitive Salary	0.32	
Freedom to Be Creative		0.73
Competent Management		0.64
Open and Honest Communication		0.64
Meaningful Work		0.59
Job that Provides Autonomy and Control		0.59
Participation in Decision Making		0.59
Challenging and Interesting Work		0.57
Support from Management		0.55
Constructive Feedback on My Performance		0.50
Increasing Responsibilities		0.49
Trust and Respect		0.49
Eigenvalue	6.59	2.86
Percent of Variance	27.45	11.91

N = 136

TABLE 2
DESCRIPTIVE STATISTICS, CORRELATIONS, AND RELIABILITIES

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Culture																	
2. Psychological contract breach: Intrinsic	3.37	1.24	.15 ^t	(.90)													
3. Psychological contract importance: Intrinsic	4.07	0.48	.27**	.33**	(.90)												
4. Psychological contract breach: Extrinsic	2.95	1.00	.26**	.65**	.16 ^t	(.91)											
5. Psychological contract importance: Extrinsic	4.00	0.57	.26**	.24**	.41**	.32**	(.91)										
6. Job satisfaction	3.68	0.91	.00	.39**	.13	.30**	.04	(.86)									
7. Intention to turnover	2.37	1.15	.05	-.21*	-.12	-.17*	-.09	-.61**	(.85)								
8. Continuance commitment	2.79	0.62	-.26**	.07	-.03	.10	-.02	.41**	-.48**	(.73)							
9. Affective Commitment	3.42	0.75	.11	.32**	.25**	.26**	.06	.64**	-.59**	.50**	(.85)						
10. Normative Commitment	3.39	0.71	.07	.39**	.18*	.27**	.06	.64**	-.61**	.37**	.74**	(.85)					
11. Job performance	4.11	0.50	.36**	.20*	.19*	.28**	.13	.25**	-.29**	.00	.35**	.27**	(.79)				
12. Interpersonal helping	3.84	0.49	.02	.14	.23*	.09	.13	.18*	-.22*	.08	.31**	.25**	.26**	(.79)			
13. Individual initiative	3.85	0.94	.12	.09	.33**	.03	.11	.14	-.06	-.04	.16 ^t	.14	.15 ^t	.32**	(.84)		
14. Personal industry	3.81	0.53	.09	.32**	.22*	.27**	.17 ^t	.31**	-.32**	.06	.40**	.37**	.57**	.40**	.26**	(.79)	
15. Loyal boosterism	3.77	0.57	.12	.32**	.19*	.30**	.20*	.50**	-.43**	.40**	.65**	.55**	.27**	.36**	.23*	.41**	(.84)

Note: Coding for culture: 1 = HK, 2 = US; Internal consistency reliabilities are provided along the diagonal in parentheses.

**p<.01; *p<.05; ^tp<.10

TABLE 3
DISCRIMINANT FUNCTION ANALYSIS OF HONG KONG AND US EMPLOYEES ON
PSYCHOLOGICAL CONTRACT IMPORTANCE AND BREACH

	Hong Kong		US		Wilks' Lambdas Univariate F
	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>	
Psychological Contract Importance: Intrinsic	3.97	0.46	4.23	0.48	9.18**
Psychological Contract Breach: Intrinsic	3.53	1.17	3.08	1.37	3.87*
Psychological Contract Importance: Extrinsic	3.89	0.55	4.17	0.51	7.78**
Psychological Contract Breach: Extrinsic	3.17	0.99	2.53	0.90	13.17**

Note: $\chi^2(4)$ of 20.88, $p \leq .001$ with a canonical correlation of .41; ** $p < .01$; * $p < .05$

TABLE 4
SUMMARY OF HIERARCHICAL REGRESSION ANALYSIS FOR CULTURE, PSYCHOLOGICAL CONTRACT BREACH (EXTRINSIC FACTOR), AND PSYCHOLOGICAL CONTRACT IMPORTANCE (EXTRINSIC FACTOR) PREDICTING EMPLOYEE ATTITUDES

Variable	Dependent Variables														
	<u>Job Satisfaction</u>			<u>Intentions to Leave the Organization</u>			<u>Continuance Commitment</u>			<u>Affective Commitment</u>			<u>Normative Commitment</u>		
	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Main effects															
Culture	.61			-1.49			.07			.81			.74		
PCB	.26			-.26			.23			.11			.02		
PCI	.02	.07		-.47	.03		.27	.07		.18	.05		.04	.06	
Step 2: Two-way interactions															
Culture X PCB	-1.57			1.34			-.57			-.53			-1.85		
Culture X PCI	-.83	.08	.01	2.25*	.06	.03	-.73	.09	.02	-1.16	.06	.01	-1.06	.08	.02
Step 3: Three-way interactions															
Culture X PCB X PCI	1.74	.09	.01	-2.15 ^t	.09	.03 ^t	.08	.09	.00	1.12	.08	.02	2.38*	.11	.03*

Note: PCB=Psychological Contract Breach; PCI=Psychological Contract Importance; β represents the standardized regression coefficient of the regression analysis when all variables have been entered; ΔR^2 = is the incremental variance explained between each step.

** $p < .01$; * $p < .05$; ^t $p < .10$

TABLE 5
SUMMARY OF HIERARCHICAL REGRESSION ANALYSIS FOR CULTURE, PSYCHOLOGICAL CONTRACT BREACH (INTRINSIC FACTOR), AND PSYCHOLOGICAL CONTRACT IMPORTANCE (INTRINSIC FACTOR) PREDICTING EMPLOYEE ATTITUDES

Variable	Dependent Variables														
	<u>Job Satisfaction</u>			<u>Intention to Turnover</u>			<u>Continuance Commitment</u>			<u>Affective Commitment</u>			<u>Normative Commitment</u>		
	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Main effects															
Culture	.26			-.65			.49			1.01			.38		
PCB	.07			.14			.10			.31			.05		
PCI	.19	.14		-.31	.06		.25	.06		.00	.12		.10	.15	
Step 2: Two-way interactions															
Culture X PCB	-.50			1.15			.13			-1.28			-.61		
Culture X PCI	-1.99 ^t	.16	.02 ^t	1.84	.12	.06*	1.48	.07	.01	-1.73	.14	.02	-2.34 ^t	.18	.03 ^t
Step 3: Three-way interactions															
Culture X PCB X PCI	2.38*	.20	.04*	-2.66*	.16	.04*	-1.19	.08	.01	2.19*	.17	.03*	2.90**	.24	.06**

Note: PCB=Psychological Contract Breach; PCI=Psychological Contract Importance; β represents the standardized regression coefficient of the regression analysis when all variables have been entered; ΔR^2 = is the incremental variance explained between each step.

** $p < .01$; * $p < .05$; ^t $p < .10$

TABLE 6
SUMMARY OF HIERARCHICAL REGRESSION ANALYSIS FOR CULTURE, PSYCHOLOGICAL CONTRACT BREACH (EXTRINSIC FACTOR), AND PSYCHOLOGICAL CONTRACT IMPORTANCE (EXTRINSIC FACTOR) PREDICTING EMPLOYEE BEHAVIORS

Variable	Dependent Variables														
	<u>Job Performance</u>			<u>Interpersonal Helping</u>			<u>Individual Initiative</u>			<u>Personal Industry</u>			<u>Loyal Boosterism</u>		
	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Main effects															
Culture	1.22			1.67			2.03			1.23			1.69		
PCB	.25			.30			.27			.73			.62		
PCI	.24	.16		.29	.02		.43	.03		.25	.08		.09	.08	
Step 2: Two-way interactions															
Culture X PCB	-3.45**			-2.77			-2.45			-4.74			-.93		
Culture X PCI	-.95	.19	.03	-1.73	.02	.00	-2.24	.03	.00	-.92	.11	.03	-2.09	.10	.02
Step 3: Three-way interactions															
Culture X PCB X PCI	3.61**	.26	.07**	2.62*	.06	.04*	2.44*	.07	.04*	4.31**	.22	.11**	1.22	.11	.01

Note: PCB=Psychological Contract Breach; PCI=Psychological Contract Importance; β represents the standardized regression coefficient of the regression analysis when all variables have been entered; ΔR^2 = is the incremental variance explained between each step.

** $p < .01$; * $p < .05$; † $p < .10$

TABLE 7
SUMMARY OF HIERARCHICAL REGRESSION ANALYSIS FOR CULTURE, PSYCHOLOGICAL CONTRACT BREACH (INTRINSIC FACTOR), AND PSYCHOLOGICAL CONTRACT IMPORTANCE (INTRINSIC FACTOR) PREDICTING EMPLOYEE BEHAVIORS

Variable	Dependent Variables														
	<u>Job Performance</u>			<u>Interpersonal Helping</u>			<u>Individual Initiative</u>			<u>Personal Industry</u>			<u>Loyal Boosterism</u>		
	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Main effects															
Culture	1.15			1.31			1.20			1.43			1.97		
PCB	.05			.51			.61			.28			.67		
PCI	.49	.15		.05	.07		.24	.14		.60	.11		.03	.10	
Step 2: Two-way interactions															
Culture X PCB	-.78			-1.69			-1.45			-1.53			-2.39		
Culture X PCI	-4.09**	.15	.00	-1.61	.08	.01	-1.13	.15	.01	-3.39*	.12	.01	-.72	.14	.04
Step 3: Three-way interactions															
Culture X PCB X PCI	3.85**	.24	.09**	1.97 ^t	.10	.02 ^t	1.16	.16	.01	3.23*	.18	.06*	1.14	.15	.01

Note: PCB=Psychological Contract Breach; PCI=Psychological Contract Importance; β represents the standardized regression coefficient of the regression analysis when all variables have been entered; ΔR^2 = is the incremental variance explained between each step.

** $p < .01$; * $p < .05$; ^t $p < .10$

FIGURE 1
NORMATIVE COMMITMENT FOR EXTRINSIC PSYCHOLOGICAL CONTACT BREACH

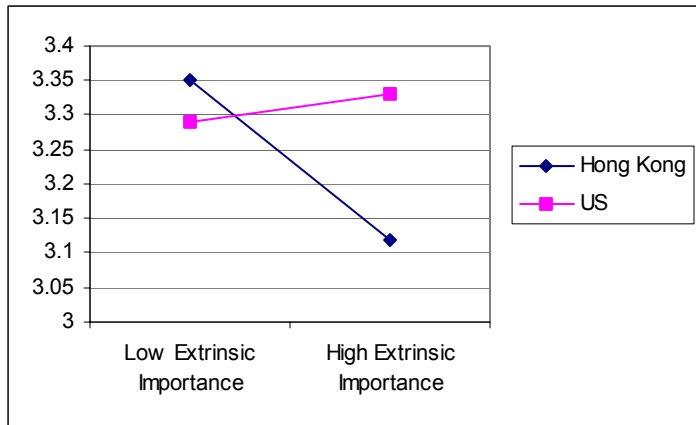


FIGURE 2
PERSONAL INDUSTRY (OCB) FOR EXTRINSIC PSYCHOLOGICAL CONTACT BREACH

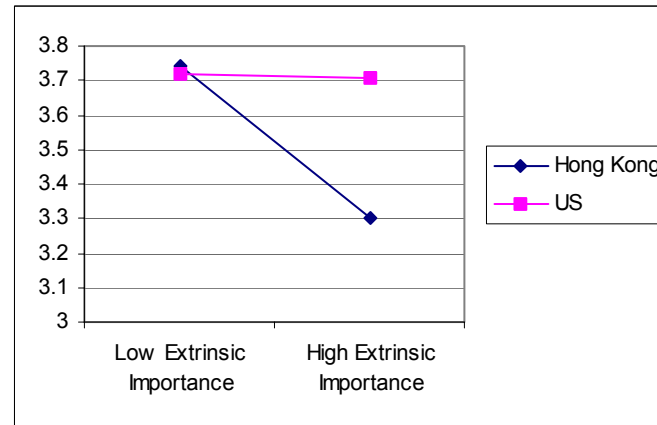


FIGURE 3
PERSONAL INDUSTRY (OCB) FOR INTRINSIC PSYCHOLOGICAL CONTACT BREACH

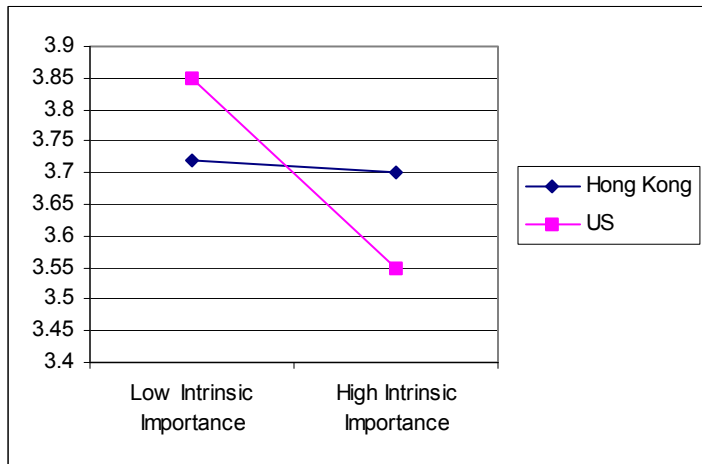
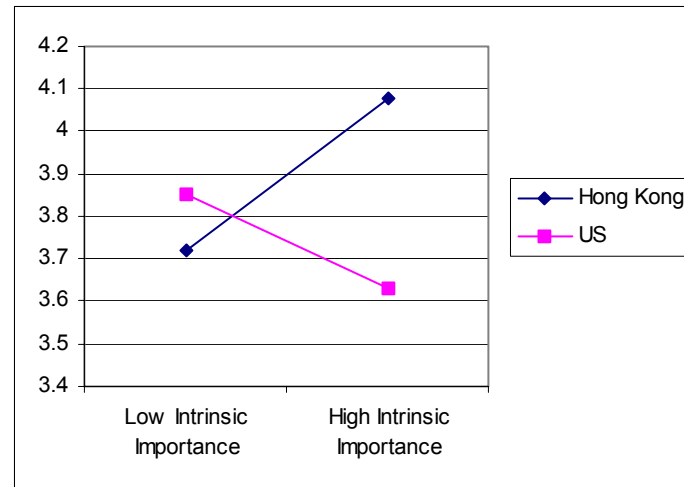


FIGURE 4
INTERPERSONAL INDUSTRY (OCB) FOR INTRINSIC PSYCHOLOGICAL CONTACT BREACH



Note: N = 76 Hong Kong Employees, N = 60 US Employees; Median-splits were performed on importance levels (e.g., 38 Hong Kong employees for low importance, 38 Hong Kong employees for high importance).