The Moderating Roles of Perceived Supervisor Support Between Psychological Contract and Job-related Outcomes

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Abstract

Research on psychological contract has made significant contributions to the understanding of how employees view their relationship with their employer. However, few studies have reported how employees’ tendency on relational or transactional contract could influence job-related outcomes. This study emphasizes for whom the relationships between these contracts and job-related outcomes could be increased or decreased. Moreover, this study proposes that stigma consciousness and perceived supervisor support could moderate these relationships. The proposed hypotheses are validated through a survey in an Indonesian organization. The findings indicate that there are positive relationships between individuals who predominantly hold relational contract with their job satisfaction and job performance, but a negative relationship exists for intention to quit. However, the opposite effects for transactional contract are not revealed in this study, which might be due to the cultural values of the sample. Additional findings suggest that perceived supervisor support positively moderates the relationship between psychological contract, job satisfaction and task performance.

Keywords: relational contract, transactional contract, perceived supervisor support and job-related outcomes

1. Introduction

In the last 20 years, psychological contract has received considerable attention from both academicians and practitioners. In mid-2018, the Web of Science noted that there were 2,265 studies examining this issue. The rise of interest in psychological contract is mostly due to the changing landscape of employee perceptions of and reactions to the employment relationship, related to such factors as outsourcing, increased reliance on temporary workers and demographic diversity, among others [5].
Currently, there are two major research streams for psychological contract. The first stream of studies emphasizes how the content of psychological contract influences key organizational outcomes. For example, individuals who hold predominantly relational contracts tend to have more job satisfaction and affective commitment and, therefore, less intention to leave the organization [44]. Hui, Lee, and Rousseau (2004) reported that relational contracts have a strong relationship with extra-role behaviors among Chinese employees, while the relationship with transactional contracts is weaker. The second stream of studies focuses on whether employers fulfill or breach their obligations or promises to employees. For example, prior studies indicated that, when a breach occurs, employees tend to perform more poorly, engage in greater job search activities (e.g., [44, 46]), and cut back on job performance (e.g., [47, 58]). This study focuses on the first stream of research, which has been less investigated by previous studies [28, 38, 44].

Despite the direct consequences of psychological contracts, few studies discuss under which conditions or for whom the content (relational or transactional) magnifies the relationship with job-related outcomes. According to Conway and Briner (2005), social and individual factors shape the individual beliefs regarding the terms and conditions of their exchange with the organization [48]. Based on the insights of social exchange theory, this study investigates whether perceived supervisor support as a social factor and stigma consciousness as an individual factor serve as moderators of the relationship between psychological contract and job-related outcomes.

Rooted in social exchange theory, a psychological contract relies on the norm of reciprocity [24] which involves a series of interactions that generate obligations [15]. Blau (1964) posited that social exchange (involving social-socioemotional and economic factors) tends to engender more feelings of personal obligations than economic exchange alone. Since a psychological contract captures perceived mutual obligations and the extent to which those obligations are fulfilled in the exchange relationship [37, 49], any actions taken by the organization that are perceived positively by individuals need to be reciprocated in order to be mutually balanced. The organizational support literature suggests that individuals’ reciprocity is based on the high-quality social exchange relationships that will heighten a felt obligation to reciprocate [45, 57]. This study posits that individuals who perceive that their supervisor (as the agent of the organization – Levinson, 1965) provides enough support will have a stronger relationship between their personal obligations and job-related outcomes. On the other hand, those who perceive less support from their supervisor will have a weaker relationship between their psychological contract and job-related outcomes.
In addition, Fiske (1991) posited that culture is a primary component in the choices people make as to how exchanges occur. So far, psychological contracts have been well-supported in most studies in Western (e.g., [12, 58]) and Eastern contexts, with the latter dominating work on China ([9, 28]; Lo & Aryee, 2003), but the theory still needs to be tested in different settings [22]. This study was thus conducted in Indonesia. Even though both Indonesia and China are in East Asia and are expected to have cultural overlaps, significant differences between the two exist, especially with regard to ethnic and religious diversity, as well as economic growth. Thus, this study should enrich the psychological contract literature.

In summary, this study differs from previous psychological contract research in two ways. First, it discusses for whom relational and transactional contracts magnify the relationships with job-related outcomes. This study proposes two moderating variables to examine these questions: stigma consciousness and perceived supervisor support. The authors expect that a consideration of these variables can contribute to the existing literature on psychological contracts, as well as provide practical advice for practitioners.

2. Hypotheses Development

Theory provides good grounds for expecting that a relational contract would facilitate positive personal outcomes more than a transactional contract would [50, 51]. When individuals predominantly hold a relational contract, the exchanged resources with the organization span from concrete (economic resources) to abstract ones (social-socioemotional and economic resources) [19, 20]. Thus, their job satisfaction does not merely rely on the financial payoff, but many aspects in the organization could determine it [7, 44]. In contrast, individuals who predominantly hold a transactional contract tend to have less job satisfaction that is narrowly-based on the direct monetary benefits they accrue from their work. Over time, the value of the monetary benefits they receive deteriorates psychologically (when colleagues get promoted) or realistically (due to inflation). As a result, individuals with a predominantly transactional contract orientation have less job satisfaction compared to individuals with predominantly relational contract.

Previous studies reported that relational contracts relate positively to expected job tenure, while transactional contracts relate negatively to it [39, 44, 49]. When individuals predominantly hold a relational contract, they perceive and expect that their employment relationships are open-ended and broad; not merely based on economic,
but also social exchange, and this engenders loyalty toward the organization [7, 40, 51]. On the other hand, when individuals’ beliefs are dominated by transactional contracts, they tend to have short-term employment relationships and mainly focus on economic exchange [3] and, thus, are more likely to quit when other organizations offer higher monetary benefits.

Social exchange theory posits [3] that social relationships basically consist of exchanges of both economic and social resources. When individuals receive their partner’s exchanged resources, they feel indebted and obliged to reciprocate [24]. According to psychological contracts [48], individuals are more likely to demonstrate reciprocal behavior toward employers that have fulfilled their promises. With a broad range of exchanged resources, these individuals put many aspects (social-socioemotional and economic – Foa & Foa, 1974; 1980) into their obligation account. As a result, this reciprocation tends to be stronger and leads to behaviors that directly contribute to organizational performance [4]. Therefore, this study hypothesizes that:

\( H_1: \) There will be a direct positive relationship between the extent to which individuals predominantly hold relational contract and their (a) job satisfaction and a direct negative relationship with (b) intention to quit.

\( H_2: \) There will be a direct negative relationship between the extent to which individuals predominantly hold a transactional contract and their (a) job satisfaction and a direct negative relationship with (b) intention to quit.

Psychological contracts capture perceived mutual obligations and reciprocity based on the discrepancy between what is promised and fulfilled [48]. In contrast, perceived supervisor support captures individuals’ perceptions of their supervisors’ favorable treatment [14], and they reciprocate on the basis of this [45]. Therefore, when individuals perceive that support from their supervisor is more than expected, their job-related outcomes increase as part of their reciprocation.

In general, relational contract individuals have greater job satisfaction due to their tendencies to take into account as broad a range of aspects as they can with regard to their satisfaction account. When they perceive that their supervisor also provides support, they definitely increase their level of job satisfaction [16, 25]. In contrast, transactional-oriented individuals generally believe that their organization has less contribution in the exchange process [38] and emphasize the specified contractual terms. By perceiving that their supervisor provides support, even though support is not part of their exchanged resources, it could slightly change their beliefs’ as the organization also provides additional contribution in the exchange process through...
their agent [34]. Consequently, such actions can also generate positive feelings in transactional-oriented individuals toward their job.

As described previously, relational contract-oriented individuals have less intention to quit due to their long-term relationship orientation. In addition, prior studies indicate that perceiving more support from their supervisor reduces these individuals’ intention to quit (e.g., [36, 45]). When individuals predominantly hold relational contract orientation, their intention to quit decreases when they perceive more support from their supervisor. Moreover, even though the intention to quit of individuals with transactional contract orientation is higher, the intention could be reduced when they perceive that their supervisor provides enough support.

Individuals with relational contract orientation will be under a greater obligation to reciprocate when their supervisors provide higher levels of support, since, mostly, such support is not implicitly or explicitly promised. One way to reciprocate is by performing better in their work (task performance – Murphy, 1989), which will ease the supervisor’s job. Therefore, the following hypotheses are proposed:

\[H_3: \text{Perceived supervisor support will interact with psychological contract such that for individuals who predominantly hold a relational contract, high levels of perceived supervisor support will increase (a) job satisfaction and will reduce (b) intention to quit}\]

\[H_4: \text{Perceived supervisor support will interact with psychological contracts such that for individuals who predominantly hold a transactional contract, high levels of perceived supervisor support will increase (a) job satisfaction and will reduce (b) intention to quit}\]

3. Methods

3.1. The organization

The privately-owned organization is a joint venture company in the oil industry. The company is about 70% owned by the government of the People’s Republic of China (PRC) and is the third largest oil company in China. It has 24,000 employees around the world and their operation in Indonesia has 884 employees. The Indonesian government requires joint venture companies to hire local people in their operations. In order to maintain efficiency, these firms tend to hire both permanent and temporary employees, with a higher proportion of the latter in order to reduce the costs related to permanent staff, such as full coverage of health insurance and child-education
support [5]. Furthermore, although the sample is composed of engineers, production workers and administration staff, the work carried out by them could be described as simple and routine, with low task variety and low task complexity. This is because these employees are working in an oil exploitation site, which presents far less variety than an exploration site. In terms of benefits, temporary workers receive less than permanent ones, as well as less employment stability. In addition, even though the company is mostly owned by a foreign government, there is no discrimination among local and expatriate (Chinese) workers and the share of jobs between the two groups is roughly proportional, in managerial as well as other positions, with more than 90% of the employees being Indonesian citizens.

3.2. The Environment

This study was conducted at a time when the economy was functioning very well and unemployment was low. Specifically, employee turnover rates in Indonesian oil companies were relatively low, due to the fact that oil prices were high (above $100 per barrel), and firms needed more employees to aggressively explore and exploit oil sources. The Indonesian economy grew by 6.0% for the duration of the study.

3.3. Procedures and sample

This study developed its measurements based on the literature review. In order to maximize functional and conceptual equivalence during the translation process, the questionnaire was written in English and then translated into Indonesian using a double-back translation method. Following the procedure of Harkness (2003), an initial pre-test was conducted with 24 respondents and revisions are based on their feedback before distributing to the target respondents. The qualified sample consists of employees of one firm owned and operated by foreign companies, and it was selected because almost 70% of its employees are hired under short-term contracts which need to be renewed annually. Data were collected over a two-month period from the beginning of March 2008 to the end of April 2008. Out of 300 potential respondents, 165 actually completed the questionnaire. However, since there were some missing variables for two of the questionnaires, this study dropped these from further analysis. Thus, 163 questionnaires were usable, resulting in a response rate of 54.33%.
3.4. Survey design features

Due to constraints imposed by the organization, this study uses self-reporting to measure all of the variables reported in Study 1. As such, a number of steps are taken in the survey design to minimize the potential impact of common method variance [43]. For example, this study separated the predictor and criterion measures on the survey and placed objective demographic questions in between [32]. In addition, despite the anonymity of respondents, this study also inserted other measures that were not relevant to the purpose of the present research.

3.5. Measures – Psychological contract

The original items for psychological contract were initially developed by Millward and Hopkins (1998), who generated two dimensions, comprising relational (11 items) and transactional (20 items) contracts.

3.6. Perceived supervisor support

Following the procedure of Kottke and Sharafinski (1988), Hutchinson (1997) and Rhoades et al. (2001), this study includes four items of perceived supervisor support.

3.7. Job satisfaction

This study measures job satisfaction with the overall measurement, in which prior research studies has shown that the validity of this item (Begley, Lee, & Hui, 2006; [8]).

3.8. Intention to quit

This study measured it with a three-item scale extracted from the Michigan Organizational Assessment Questionnaire [6, 8, 44].

3.9. Characteristics of respondents

The majority of the respondents are male (65%) and married (80%). One third are under 30 years old, and the biggest group is between 31 to 40 years old (35.60%), and
Moreover, the majority of the respondents only graduated from senior high school (53.40%), with around 40% earning a university degree (diploma, bachelor, or master), and around 6% of respondents did not indicate their educational level. Sixty-five percent of the respondents are temporary workers, while 35% are permanently hired by the company, and the data have been double-checked with organizational records. Only 12% are administrative staff, 20% are engineers and the rest have production roles (drilling, machine operators and so on) in the company. There are 29 supervisors (18.40%) and the rest are workers (80.60%). Finally, 41% of the respondents have been in their current positions for less than three years, while more than 24% have been so for more than 10 years.

3.10. Reliability and validity of measurement constructs

The construct validity is assessed using the guidelines of Anderson and Gerbing (1988). First, the exploratory factor analysis for all the items resulted in factor solutions, as theoretically expected. The Cronbach’s α for each coefficient is greater than 0.70. Second, we used confirmatory factor analyses (CFA) to assess the convergent validity of the measures. All loadings exceed 0.60 and each indicator t-value exceeds 10 (p < 0.001), thus, satisfying the CFA criteria (Hair et al., 2006). The overall fit supports the measurement model and the χ² fit statistic is 956.59 with 474 degrees of freedom. The root mean squared error (RMSEA) is .06 and the comparative fit index (CFI) is .91. All these figures support the overall measurement quality given a particular sample and number of indicators [23] and the measures thus demonstrate adequate construct validity and reliability.

4. Results

In order to determine the appropriate level of analysis for data of Study 2, this study follows the suggestion of Schriesheim, Cogliser, and Neider (1995) by performing two approaches: (a) a within-group similarity or agreement index (r_wg: James, Demaree, & Wolf, 1993), and (b) within- and between-analysis (WABA: Dansereau, Alutto, & Yammarino, 1984). The E-tests are all practically significant (E ratio for = 0.43, 30° test), suggesting that the variation within groups is significantly greater than the variation between them. Further findings indicate that the average of within-groups eta (the average η_w = 0.70) is larger than between-group eta (the average η_b = 0.30). The corrected F-test (F(27, 104) = 0.52) is not significant, suggesting that there is not
significantly more variation within than between groups. The WABA and $r_{wg}$ results support the assumption of independence of the subordinates’ ratings on perceived supervisor support and supervisors’ ratings on subordinates’ job performance. Therefore, conducting the analysis at the individual level in this study is appropriate.

Moreover, based on suggestions in previous studies (e.g., [33, 44]), this study uses six control variables: gender, tenure, job status, type of job and position, which can all be related to work status [53]. This study also controlled the type of organization. Specifically, this study controlled for tenure (in years), demographic variables (gender was coded ‘o’ if the respondent was male and ‘1’ female), job status (permanent worker was coded ‘1’ and temporary worker was coded as ‘0’), type of job (administrative was coded ‘1’ and production was coded ‘0’), position (worker was coded ‘1’, supervisor was coded ‘2’, and manager was coded ‘3’), and type of organization (profit organization was coded as ‘1’ and non-profit organization was coded as ‘0’). Table 3 presents the regression results of the expected relationships.

Hypothesis 1 predicts that relational contracts have a direct positive relationship with job satisfaction, while the effects are reversed with regard to intention to quit. The results show that relational contracts have a significant positive relationship with respondents’ job satisfaction ($\beta = 0.38, p < 0.001$) and a direct negative relationship between individuals who predominantly hold a relational contract and their intention to quit ($\beta = -0.32, p < 0.001$). Therefore, H1 is supported. On the other hand, even though there is an expected negative relationship between individuals who predominantly hold a transactional contract and their job satisfaction ($\beta = -0.06, p = 0.36$), it is not significant. Similarly, the expected positive relationship between respondents who predominantly hold a transactional contract with their intention to quit ($\beta = 0.05, p = 0.40$) is also not significant. Therefore, H2 is not supported.

In order to test the moderating effects, this study uses hierarchical regression, since the research variables are measured by using continuous variables. The use of regression can retain the continuous nature of the variables without losing information or reducing the power to detect the interaction effects (e.g., [1, 10]). However, there is the possibility that variables might correlate with each other (high multi-collinearity) and, thus, this study applies the centering method to reduce these effects [21].

Hypothesis 3 posits that perceived supervisor support positively moderates the positive relationship between individuals who predominantly hold a relational contract with regard to their job satisfaction, and reduces the negative relationship with regard to intention to quit. The results indicate that the expected effect only exists for job satisfaction ($\Delta R^2 = 0.07, \Delta F = 12.25, p < 0.001$) and, thus, only H$_{3u}$ is supported.
Following the procedure of Aiken and West (1991) and Cohen et al. (2003), Figure 1 indicates that individuals who are categorized as having a high transactional contract have higher levels of job satisfaction when they perceive more support from their supervisor ($\bar{X} = 6.06$) than those who have a low transactional contract ($\bar{X} = 5.94$). However, the reverse is seen when individuals perceive less supervisor support. Specifically, individuals who are categorized as having a low transactional contract have higher levels of job satisfaction ($\bar{X} = 4.71$) compared to individuals who are highly transactional-oriented ($\bar{X} = 4.27$).

![Figure 1: The moderating effects of Perceived Supervisor Support (PSS).](image)

5. General Discussion

This study evaluates two major research questions. First, this study investigates the relationship between psychological contract and job-related outcomes. Second, this study examines the moderating effects of stigma consciousness and perceived supervisor support on these relationships. The findings of this study validate the hypothesis that relational contract has a positive relationship with job satisfaction. As predicted, a negative relationship between relational contract and intention to quit is also revealed. These findings are consistent with those of Raja et al. (2004) and Millward and Brewerton (1999), who found that relational contract has a positive effect on job satisfaction and a negative effect on intention to quit.

This study argues that the dominant relationships between relational contract and job-related outcomes could be related to the cultural context within which individuals are raised. Accordingly, Indonesian employees can be categorized as collectivists [27]
and tend to use holistic cognition process [42]. Thomas, Au, and Ravlin (2003) note that cultural differences influence employees’ perceptions concerning the terms of the exchange relationship with their employers. Specifically, they argue that employees in collectivist countries tend to have a greater tendency to predominantly hold relational contracts, because it is consistent with their mental structures that cognitively process each socio-emotional cue they receive and, at the same time, are motivated to create long-term relationships [56]. On the other hand, employees in individualist countries are likely to interpret information in economic terms which have short-term relationship orientations [17, 55] and, thus, such employees tend to have transactional contract orientation.

The second finding suggests that perceived supervisor support positively moderates the relationship between psychological contract and job-related outcomes. Individuals who perceive that their supervisor support is higher tend to have only a slightly higher level of job satisfaction, regardless of their level of transactional contract. However, individuals with transactional contract orientation decrease their job satisfaction when they perceive that their supervisor has less support for them. In a high power distance culture, such as China or many other countries in East Asia, a powerful employer that commits to certain obligations may exceed the expectations of the employees, eliciting a very positive response from them and generating a willingness to reciprocate that good gesture, even before employees know if these obligations will actually be fulfilled (Hui, Lee, & Rousseau, 2002). Indonesia is also categorized as a high power distance culture and, thus, it is understandable that the direct effect of perceived supervisor support in this study is also strong. The influence of the power distance as a cultural value is clearer when individuals with low relational contract orientation boost their in-role performance when they perceive that their supervisor provides support to them. Even though, theoretically, psychological contract posits that this is not the case, when it is embedded in a high power distance culture, the story will be different.

The findings indicate that supervisor support also has significant moderating effects on the influences of a psychological contract on job satisfaction and job performance. These findings confirm the proposition of Levinson (1965) that employees view favorable or unfavorable treatment from their supervisor as indication that the organization favors or disfavors them. Therefore, managers should spend some time to value their subordinates’ contributions and care about their wellbeing [31], particularly when their subordinates are predominantly transactional contract-oriented. However, providing some support to individuals who predominantly hold a relational contract could
have negative effects. Consequently, this study suggests that managers should provide more support for individuals who have lower relational contract, because it could increase both their job satisfaction and job performance.

Although the results of the two studies are compelling, several limitations deserve comment, as they suggest directions for further research. First, although this research uses two different organizations in two different industries, enlarging the samples to include multiple organizations and multi-industries could increase the generalizability of the findings. Second, this study focuses on Indonesian organizations, which might imply that the results have only limited scope. This study contributes to the psychological contract literature by utilizing an Asian context (e.g., [28]), while most previous studies were conducted in a Western one. However, because Asian societies place more emphasis on harmony in relationships, Asian people are expected to value relational forms of employment [28, 54]. This implies that they tend to predominantly hold relational rather than transactional contracts, and this might be very different to what is found with Western people. Thus, contrasting the effects of psychological contracts between Western and Asian contexts could be a fruitful avenue for future research. Finally, the use of the short versions of the psychological contract and stigma consciousness questionnaires based on the pre-test results was not a good decision. Although it was based on the suggestions of the Vice President of HR and leader of a labor union in Study 1 and face validity was not a concern, future studies should use the original research items versions to increase the validity of the results.

References


