



## BEHAVIOURAL AND ATTITUDINAL OUTCOMES OF PSYCHOLOGICAL CONTRACT VIOLATION AMONG SOME SELECTED SMEs WORKERS: A Psychological Appraisal of Operational Challenges of SME's in Nigeria

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### ABSTRACT

*Employment situation is widely conceived as a 'social contract' powered by 'exchange processes' between two parties. When expectations from such mutual "social contract" do not happen in the workplace, employees may perceive a violation in the psychological contract. Recognizing the import of the breach to the potential changes in the employment relationship the study examined behavioural and attitudinal outcomes of psychological contract violation among some selected SMEs workers in Lagos metropolis. Employee's perceptions as reflected in self reports constituted the central features of a model underlying the study, as they were believed to be related to the individual experience. A total sample of 514 full and part-time employees of some twelve front-line SMEs from Logos metropolis participated in the study. The study was anchored on the Social Exchange Theory) and Adam's Smith Equity Theory. It was hypothesized that (i) there will be a significant positive correlation between feelings of psychological contract violations and employees behavioural and attitudinal outcomes. (ii) Psychological contract violation will correlate positively with negative behavioural and attitudinal outcomes. The data collected were analysed using independent t-test, multiple linear regression analysis and multivariate analysis of variance (MANOVA). Key findings suggest that (i) feelings of psychological contract violations was generally high across workgroups, organizational types, as well as job cadre, (ii) fraudulent self-enrichment tendencies, theft and deception, cutting corners and diversion of resources, sabotage and dishonesty behaviours and impropriety/sharp corrupt practices was established (ii) significant high level effort withholding behaviours was also confirmed among the sampled employees. Practical and human resource implications of the results were discussed in the light of extant literatures.*

**Keywords: Psychological Contract, Theft and Fraud, Sabotage and Effort Withholding)**

### INTRODUCTION

Throughout modern times, business cycles have contributed to organizational conditions with well-understood implications for the employee-employer relationship (Bennett & Naumann, 2004). Among such noble efforts is the growing interest among researchers and organizational practitioners in recent times concerning negative workplace behaviours (Peterson, 2002). Just like plaque, the number of studies examining such issues as fraud, vandalism, theft, lying, spreading malicious rumours, withholding effort, aggressive behaviour, and sexual harassment in the workplace is growing rapidly (Griffin, O'Leary-kelly, & Collins, 1988; Cullinane, & Dundon, 2006). The obvious reason for this growing interest's employee's theft, fraudulent and sabotage behaviours is not unconnected with the increasing prevalence of this type of behaviours in the workplace and its attendant cost for the organization. In Nigeria in recent times, Small and Medium scale Enterprise SME's were among the worst hit by the scourge of various kinds of theft, fraud and work sabotage behaviours of employees. This counterproductive behaviours hinders operational efficiency, productivity as well as profitability of SME's in several ways. This includes stock replacement cost, time and diversion of resources from business activities, decrease employees morale, poor culture for productivity, and opportunity cost of missed sales (Setharama, et al, 2009). However, this is not peculiar to SME's, because employee theft is an ongoing, widespread and varied problem for



companies of all sizes (Setharama, Somasundaram, & Gopalan, 2009; Balogun & Olowoduroye, 2012; Umar & Ringim, 2015).

Today, the competitive macroeconomics conditions prevailing in Nigeria in the last one decade has further alters the patterns of employment practices making it almost difficult for SME's to maximize the cost of human resources "overheads". Most often than not, rightsizing and downsizing to maximizing operational costs, efficiency, and optimizing the performance of their employees is seemingly herculean in the minds of SME's business owners. Several studies have documented not only the financial impart, but also the social and psychological effects of negative workplace behaviour on the organization (Hollinder & Clark, 1982, 1983; Murphy, 1993; Robinson & Greenberg, 1998). In both best and worst of times for these SME's, content and configuration of employment practices play an important role in determining the nature of the "psychological contract" between the employees and their employers (Bennett & Naumann, 2004).

In some instances, the conditions that are created by unexplained psychological contract violations allow employees to conclude that, it is at least rational –and perhaps even reasonable-to help themselves by stealing in style, cut corners to divert company's resources for personal use, fraudulently enriching themselves, running parallel private business with the company, as well as engaging in all manner of impropriety and corrupt practices. Also, by extension employees may conclude that it is reasonable-to provide less their full effort in protest of psychological contract breach. Withholding effort at work, in its various forms, has been labelled "production deviance" (Robinson & Bennett, 1995). A growing body of organizational behaviour research has been conducted to identify the factors that cause employees to withhold effort (Albanese, & van Fleet, 1985; Karau & Williams, 1993, 1997; Kidwell & Bennett, 1993, 2001; Kidwell & Robie, 2003; Miles & Klein, 2002).

For the managers of SMEs, neither the employer nor employee can know fully what will be required from each other at any point in time. One or both may have a woeful lack of understanding even about the present employment circumstances they share, to say nothing of what the future may bring. They may have failed to take adequate measure to themselves as well as of each other. Neither side has control over even its own half of the bargaining struck between them. This is however expected as several aspects in the employment relationship are unwritten or not formally established between the employee and employer (Rousseau, 1989). The unwritten or informal aspects of the employment relationship can be based on the employees' perceptions and interpretations of the communication about promises made by the employer (Rousseau, 1989, 1995). This portion of the employment contract is in the minds of the employees and is defined as the psychological contract (Rousseau, 1989).

An employee's psychological contract develops from either explicit or implicit promises made by an employer during the employment relationship. Psychological contract is an important element of the employment relationship and plays a significant role in shaping employee behaviours, attitudes and performance in the workplace. However, in the face of all the uncertainty, both the employer and employee will act as though some stable frame of reference defined their interaction (Levinson, Price, Munden, Mandl, & Solley, 1963). More than guided, they are bound by the terms of a *psychological contract*.



Psychological contract! Yes, we are dealing here with unwritten rules of social contract (i.e. underlying frameworks) for human social interaction in the workplace. The psychological contract is indeed more than a written employment contract; it is a real thing, an actual contract that binds both the employer and the employee. Usually incorporating concrete and abstract dimensions, the psychological contract implies aspects of the employment relationship, which go beyond the terms set in formal agreements (Anderson & schalk, 1998; Rousseau & Schalk, 2000). It is a force that has profound influence on behaviour of those persons who are party to it –because they will behave as though it exists. In this paper, perceptions of psychological contract was examined in potential predicting behavioural outcomes among some selected manufacturing and human service (e.g. SMEs) organisational workers with implications for operational challenges of SMEs in Nigeria

Research evidence shows that, where employees believe that management have broken promises or failed to deliver on commitments, this has a negative effect on job satisfaction And commitment and on the psychological contract as a whole (Guest & Conway, 2002; Cllinanae & Dundon, 2006; Coyle-Shapiro & Shore, 2007). This is particularly the Case where managers themselves are responsible for breaches, for instance where Employees do not receive promised training, or performance reviews are badly handled. Managers cannot always ensure that commitments are fulfilled -for example where Employment prospects deteriorate or organizations are affected by mergers or restructuring –but they may still take some blame in the eyes of employees (Cllinanae & Dundon, 2006; Coyle-Shapiro & Shore, 2007). Managers need to remember:

- Employment relationships may deteriorate despite management's best efforts: Nevertheless it is managers' job to take responsibility for maintaining them.
- Preventing breach in the first place is better than trying to repair the damage afterwards.
- But where breach cannot be avoided it may be better to spend time negotiating or  
Renegotiating the deal, rather than focusing too much on delivery.

What has persuaded People to take the psychological contract seriously?

Changes currently affecting the workplace include:

- The nature of jobs: more employees are on part time and temporary contracts, more Jobs are being outsourced, tight job definitions are out, functional flexibility is in.
- Organisations have downsized and delayered: 'leanness' means doing more with less, so individual employees have to carry more weight.
- Markets, technology and products are constantly changing: customers are becoming Ever more demanding, quality and service standards are constantly going up.
- Technology and finance are less important as sources of competitive advantage: 'human capital' is becoming more critical to business performance in the knowledge -based economy.
- Traditional organizational structures are becoming more fluid: teams are often the Basic building block, new methods of managing are required (Guest & Conway, 2002; Cllinanae & Dundon, 2006; Coyle-Shapiro & Shore, 2007).



The effect of these changes is that employees are increasingly recognized as the key business drivers, and the ability of the business to add value rests on its front-line employees, or 'human capital' (Coyle-Shapiro & Shore, 2007). Organisations that wish to succeed have to get the most out of this resource. In order to do this, employers have to know what employees expect from their work. The psychological contract offers a framework for monitoring employee attitudes and priorities on those dimensions that can be shown to influence performance (see Guest, 2002; Cllinanae & Dundon, 2006; Coyle-Shapiro & Shore, 2007).

### **What is Small and Medium-Scale Enterprise (SMEs)**

There seems to be no specific definition of small business, but loosely however, small scale business, small scale industries and small scale entrepreneurship are used interchangeably to mean a small scale firm or business holdings. Different authors, scholars, and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development (Ajayi, 2000; Tijani-Alawe, 2004; Ayozie, Oboreh, Umukoro & Ayozie, 2013). Ayozie, et al (2013) chronicled definitions of SMEs from different stakeholders as follows:

1. In Nigeria, the Third National Development plan defined a small scale business as a manufacturing establishment employing less than ten people, or whose investment in machinery and equipment does not exceed six hundred thousand naira.
2. The Federal Government Small Scale Industry Development Plan of 1980 defined a small scale business in Nigeria as any manufacturing process or service industry, with a capital not exceeding N150, 000 in manufacturing and equipment alone.
3. The small scale industries association of Nigeria (1973) defined small scale business as those having investment (i.e. capital, land, building, and equipment of up to N60, 000 pre-SAP Value) and employing not more than fifty persons.
4. The Federal Ministry of Industries defined it as those enterprises that cost not more than N500, 000 (pre-SAP Value) including working capital to set up.
5. The Centre for Management Development (CMD) view of small industry in the policy proposal submitted to the federal government in 1982, defined small scale industry as, "a manufacturing processing, or servicing industry involved in a factory of production type of operation, employing up to 50 full-time workers.

Lastly, in the United States, the small business administration defines a small business as one that is independently owned and operated, and meets employment or sales standard developed by the agency. For most industries these standards are as follows.

- (a) Manufacturing: -Number of employees range up to 1500, depending on the industry.
- (b) Retailing: - Small, if annual sales or receipts are not over 2 million to 7.5million dollars.
- (c) Wholesaling: - Small, if yearly sales are not over 9.5 to 22 million dollars
- (d) Services: - Annual receipts not exceeding 2 million to 8 million dollars.

Businesses in Nigeria generally have been classified as small, medium and large depending on the aforementioned conditionalities. In practical terms, a small scale industry can be explained by the criteria of project costs, capital, number of employees,



sales volume, annual business turnover and the financial strength (see Adegbite, 1995; Tijani-Alawe, 2004; Tijani-Alawe, 1999). The federal and state ministries of Industry and Commerce have adopted the criterion of value of installed fixed capital to determine what a small scale industry is, in this respect, the value has varied from N60, 000 in 1972, N159, 000 in 1975, N250.000 in 1979, N500, 000 in 1986, to a fixed investment of not more than N2, 000, 000 in 1992 and N5, 000, 000 in 2003 and beyond (Ajayi, 2000; Ayozie, 1999; Ayozie, et al (2013). This figure is exclusive of land and building and subject to government determination and the prevailing objectives of public policy. In the wake of SFEM, and SAP, this value has now been reviewed and subsequently, increased to five million naira (Ayozie, et al (2013).

In concrete terms, small scale industries constitute a greater percentage of all registered companies in Nigeria, and they have been in existence for a quite long time. Majority of the small scale industries developed from cottage industries to small enterprises and from small scale, to medium and large scale enterprises (Adegbite, 1995; Ayozie, et al (2013). Presently in Nigeria, SMEs assist in promoting the growth of the country's economy, hence all the levels of government at different times have policies which promote the growth and sustenance of SMEs. Small scale industry orientation is part of the Nigerian history.

### **Statement of the Problem**

The perception that one's psychological contract has been breach is an inherently subjective phenomenon. When expectations from mutual "social contract" do not happen, particularly in the workplace, the employee may perceive a breach in the psychological contract. After the fact, the employee typically forms attribution for the alleged breach (i.e. the employee may believe that he or she was purposely deceived), but these may not reflect what actually occurred. These perceptions, regardless of whether or not they are accurate, have been found to reduce employees' trust, job satisfaction, intentions to remain with the organization, sense of obligation, and in-role and extra-role performance (Robinson, 1996; Robinson, *et al.*, 1994; Robinson & Morrison, 1995; Ojedokun, 2008; Umar & Ringim, 2015). These behaviours have the potential of precipitating counterproductive workplace behaviour, which manifest variously in stealing/theft, fraudulent, sabotage and effort withholding behaviours among workers.

It is a common knowledge that employment situations as it is currently being experienced in Nigeria are bedeviled by seeming inadequacy or inequity of compensation. Moreover, employees feel that psychological contract is being violated with impunity. Little wonder that an average employee is prone to steal or withhold effort at work as protest behaviours. Some theorists believe that most people will steal if given a chance (Hollinger & Clark, 1983), particularly when the individual feel that contractual agreements has been breached (Walch, 2000). Stealing/fraud and sabotage behaviours of employees affect practically every organization across many dimensions. There are many types of fraud and sabotage behaviours involving different levels of management. Some employees steal for status or to cover extra expenses (Balogun & Olowoduroye, 2012; Fagbohunbe, Akinbode, & Ayodeji, 2012).

Today, it is a common knowledge that sharp practices, corruption, theft, fraudulent sabotage behaviours have grown to a worrisome dimension. Many Nigerian workers more than before are more willing to take the steps to implement a scam once they have full understanding of the internal control structure and how to bypass it for fraudulent



self-enrichment. Extensive literature search for now revealed a number of gaps that exist in this area of research, for example, workplace sabotage has been largely overlooked as a type of deviant behaviour (Giacalone Riordan & Rosenfeld, 1997). Moreover, little is known about the relationship between psychological contract breach and theft/fraud (Hollinger & Clark, 1983; Murphy, 1993; Robinson & O'Leary-kelly, 1998), about psychological contract violation and sabotage employee behaviours (Latham, 2001; Schweitzer, Ordonez & Douma, 2004; Sims 2002), about psychological contract breach and effort withholding behaviour (Kidwell & Bennett, 1993; Kidwell & Robie, 2003). Psychological contracts breach and financial cost (Hollinger & Clark, 1982, 1983; Murphy, 1993; Robinson & Greenberg, 1998). Empirical studies on the implications of psychological contract violation and employee's behavioural outcomes in a non-English culture workplace were completely not in existence in the available scientific literature in Nigeria. Moreover, given general hue and cry about cost of running successful business in Nigeria due largely the seeming high level of fraudulent and corrupt practices in the economic space, then the survival of SMEs.

Furthermore, none of the studies available in this area has been done in Nigeria. for example, in a comparative analysis of the researches on psychological contract breach and employee behavioural outcomes: *reciprocation and retaliation* (e.g. Gouldner, 1960; Levinson, 1963; Peters, 1975; Shore & Tetrick, 1994), *theft and fraud* (e.g. Greenberg, 1990; , Greenber, 1993; Hollinger & Clark, 19983; Weber, Kurke & Pentico, 2003; Birendra, Mishra & Ashutosh-Prasad, 2006; Moorthy, Seetharaman, Somasundaram & Gopala, 2009), *sabotage and retaliation* (e.g. Parks & Kidder, 1994, Skartlicki & Folger, 1997; Giacalone, Riordan & Rosenfeld, 1997; Skarlicki & Folger, 1997; Griffin, O'Leary-Kelly 7 Collins, 1998; Duffy & Shaw, 2000), *aggression, incivility and revenge*(e.g. Baron & Neuma, 1996; Anderson & Pearson, 1999; Bies 7 Tripp, 1998), *job satisfaction* (e.g. Nelso, Tonks & Weymouth, 2006), *performance and productivity loss* (e.g. Sheppard, 1993), Effort withholding (e.g. Kidwell & Bennett, 1993), *Turnover intention* (e.g. Brickner, Harkins & Ostrom, 1986, Cohen & Bailey, 1997; Ojedokun, 2008; Umar & Ringim, 2015), *social loafing* (e.g. Harkins, Latane & Williams, 1980; George, 1992; Comer, 1995; Karau & Hart, 1998; Sheppard, 1993; Liden, Wayne Jaworski & Bennett, 2004), *free riding* (e.g. Jones, 1984; Jones, 1994; Miles & Klein, 2002), *job shirking* (e.g. Latane, Williams & Harkins, 1979; Jones, 1984; Judge & Chandler, 1996; Spencer, 2003) and *job neglect* (e.g. Kidwell & Bennett, 2001). In these studies in which all available scientific work in this area in the last two decades were analysed, and with specific detail in respect of the countries; none of the empirical studies came from Africa. Going by this observations, this predominantly Euro-American studies many not be generalisable to other countries, especially Nigeria. These omissions and paucity of relevant literature, and the need to answer some pertinent questions about seeming spate of SMEs bankruptcies in Nigeria are the gaps in our knowledge which this study aims to fill. Moreover, given the current economic maladies and the general hue and cry about cost of running successful business in Nigeria, coupled with seeming high level of fraudulent and corrupt practices in the economic space, the survival of SMEs which has remained the main driver of the nation's emerging market and economy need to be properly structured and managed..

### **Objectives of the Study**

The aim of this study is to investigate the relationship psychological contract breach and employees' behavioural or attitudinal outcomes. Specifically, perceptions held by employees toward their employment situation, and the consequences of these perceptions on their dispositions towards their work and employer in Lagos South-West



Nigeria was investigated. This study seeks to advance our understanding of employment relationships by investigating the extent that social exchange influences the relationship between employees' perception of psychological contract breach.

### **Significance of the Study**

The current study makes two important contributions in relation to the theoretical and empirical understanding of psychological contracts. First, it extends the psychological contract literature by using social exchange and equity theories to examine the influence of psychological contract violation on employee behavioural outcomes (i.e. fraudulent self-enrichment, theft/deception, sabotage and effort withholding behaviour - job neglect, free riding, social loafing, job shirking). In recent years organizational researchers have suggested that psychological contract is an important element of the employment relationship and plays a significant role in shaping employee behaviours, attitudes and performance in the workplace. (Turnley et al., 2003; Lester et al., 2002; Robinson & Morrison, 2000; Rousseau, 1995; Shore, Tetrick & Barkdale, 2006). The current study extends this line of research by focusing on SME's.

Second, the study contributes to existing psychological contract literature by conducting the research in a non-Western context drawing on implications for operational challenges of SME's. It is based in Nigeria where few or no research has been conducted on psychological contract breach. An understanding of the behavioural and attitudinal outcomes resulting from psychological contract breach will have significant theoretical and practical implications to organizational researchers and practitioners, respectively. The results of the present study will also help organizational researchers to expand their understanding of the relationship between psychological contract breach and employee outcomes.

### **Literature Review: Conceptual clarification**

Broadly stated, psychological contract is the totality of expectations held by the parties to any interaction powered by mutual exchange relationship. Rousseau (1990) defined psychological contract as an individual's beliefs about mutual obligations, in the context of the relationship between employer and employee. Schein (1965, 1980) also pays attention to the psychological contract, defining it as a set of unwritten expectations present at each moment between each member of the organization and others in the organization. The psychological contract according to Schein has two levels: individual and organizational. Schein states that although the psychological contract is unwritten, it is an important determinant of behaviour in organizations. Herriot and Pemberton's (1995) view on the psychological contract is that it is the perception of both parties (employer and employee) of their relationship and the things they offer each other in this relationship.

An effective behavioural and emotional outcome may follow feelings of anger if such employers failed to deliver its contractual obligations. Psychological contract breach therefore, refers to the cognition that the organization has failed to fulfill its obligation whereas feelings of breach refer to the effects following breach (Guest & Conway, 2004; Conway & Briner, 2005). Conceptually, the history of psychological contract is traceable to Argyris. There four pronged roots to the origin of the concept of psychological



contract. Firstly and evidently, the term first used by Argyris (1960), although in a more limited sense than it is now known. After analysing the situation in two factories, Argyris said "...a relationship may be hypothesized to evolve between the employees and the foremen, which might be called the 'psychological work contract'." Argyris (1960: 96). The employee will maintain the high production, low grievances, etc., if the foremen guarantee and respect the norms of the employee informal culture (i.e., let the employees alone, make certain they make adequate wages, and have secure jobs. This is precisely what the employees need' (Argyris, 1960; 96). Therefore, the concept 'psychological work contract' was originally used to describe the relationship between the employees and the foremen.

Secondly, the origin of the concept of psychological contract can be traced through another lineage. Karl Menninger (1958) drawing on the works of Freud discussed the intangible aspects of contractual relationships which are exchanged by reviewing the logic for a clear and frank discussion, between the therapist and the patient, of relationship-impacting expectations (e.g. like those about schedules, fees, responsibility for attendance at session etc). Dealing with psychotherapeutic relationship, or as he termed it "...the psycho-analytic treatment situation as a two-party transaction" Menninger, 1958:15). He concluded that psycho-analytic treatment relationship involves unconscious exchanges of certain intangibles (Menninger, 1958). Thirdly, also contributing to the concept were ideas about norm of reciprocity (Gouldner, 1960), distributive justice (Holmans, 1961). Levinson (1963) referred to a process of reciprocation. This process serves as the vehicle for the evolution of a psychological contract between an employee and an employer. Reciprocation encompasses both parties doing things (or refraining from doing things) for (or to) each other, and their expectations of each other.

Fourthly, because Argyris (1960) noted only in passing the concept of the psychological contract, but did not clearly define it, or because the concept is not listed in the index of Argyris' book (Manning, 1993), Levinson and his colleagues who further extended Menninger's work developed this concept and claims to be 'father' of psychological contract (Guzzo & Noonan, 1994). Levinson et al. (1963) describe in an elaborate case-study of a utility company the psychological contract as the unwritten contract. The psychological contract according to Levinson et al, (1963) is the sum of mutual expectations between the organization and the employee. The concept is used to highlight implicit and unspoken expectations which antedate the relationship between employer and employee. Some expectations are more conscious than others: for example, expectations with respect to salary, but others are more unconscious and are only revealed indirectly, for instance, longer-term promotion prospects. Subsequently, Levinson et al later suggested that the essence of the contractual relationship was itself an intangible, having a psychological potency that exceeded any legal force. Using this important realization, they developed the concept of an entity composed of expectations. Of it they wrote: "The expectations of both employees and company were components of a psychological contract" (Levinson, et al. 1963:21)

The above approaches are undoubtedly founded upon the precept that the psychological contract is essentially an exchange relationship between two parties: employer and employee. Although several authors do not state this explicitly, this notion is derived from models in social psychology on exchange relationships, such as the 'inducement-contribution' model (e.g. March and Simon, 1958); Homans' 'Social exchange theory of elementary social forms' (e.g. Homans, 1974); and Adams' equity theory (Adams, 1965),



amongst others. These approaches to the psychological contract assume an exchange relationship between employer and employee, in which the expectations and obligations of both parties involved need to be taken into consideration if one is to determine whether there is agreement or disparity of opinion.

This is immediately problematic because expectations of different levels (organizational and individual) are compared. Moreover, on the part of the organization there is the problem who or what represents the organization: an organization can hardly be considered as a uniform set of expectations (Schalk & Freese, 1993; Guest, 2001; Guest & Conway, 2002); rather it is a multiple collective of diverse and differing expectations held by a whole set of actors. Rousseau (1990), therefore, introduced a more narrow definition of the psychological contract (i.e. psychological contract as an individual's beliefs about mutual obligations, in the context of the relationship between employer and employee (Rousseau, 1990). By using this definition the perspective shifts from a bilateral relationship between two parties at different levels (individual and organizational) to the unilateral, singular level of the individual. The psychological contract in this view is a subjective, individual perception of obligations of the employee towards the organization and of the obligations of the employer towards the employee (Schalk & Freese, 1993; Cullinane, & Dundon, 2006). That two different conceptualizations of the concept exist, can lead to confusion and misunderstanding, and this must be kept in mind when looking at the literature on psychological contracts.

### **Typology of psychological contract**

A review of the literature reveals that two types of psychological contracts—transactional and relational—have been widely discussed and empirically studied (Rousseau, 1990, 1995; Ahmed, 2000). In a longitudinal study, Robinson and colleagues revealed that employee and employer obligations could be categorized as either a transactional or a relational psychological contract (Robinson et al., 1994). Rousseau's (1990) conceptualization of transactional and relational contracts was linked with economic exchange and social exchange theory. Transactional psychological contracts were linked with economic exchange, while relational contracts were linked with social exchange. As discussed earlier, according to social exchange theory (Blau, 1964), the focus of a social exchange relationship is on socio-emotional elements over a long period, whereas the focus of an economic exchange relationship is on the short-term exchange of materials or economic goods (Ahmed, 2000; Coyle-Shapiro & Kessler, 2000; Guest & Conway, 2002). Moreover, in economic exchange, the terms of exchange are clearly specified, usually through a formal contract. In social exchange, a feeling of personal obligations, gratitude and trust is built up with the employment relationships (Moideenkutty, Blau, Kumar, & Nalakath, 2006). In a social exchange relationship, however, there is an expectation that some return will be made in future for some benefit provided, the exact nature and timing of the return not being fixed in advance (Ahmed, 2000; Cullinane, & Dundon, 2006).

A transactional psychological contract relationship emphasizes economic transactions between employee and employer on the basis of performance, while a relational contract is based on the social exchange between the two parties (Robinson et al., 1994; Rousseau, 1989, 1990). A long-term commitment or a tenure-based job is not expected in a transactional psychological contract (McInnis, Meyer, & Feldman, 2009). An example of a transactional contract is a temporary employee who is paid for his or her work at the end of each day. Transactional contracts can be characterized as short-term,



narrow in scope, static and defined mainly in economic terms. Rousseau (1990) has characterized transactional contracts as economic, extrinsic, close-ended, specific, narrow and observable. Employees holding a transactional psychological contract work for immediate rewards and short-term benefits and expect precise job performance evaluation as the rewards are subject to job performance (Rousseau, 1990; Cullinane & Dundon, 2006).

Rousseau (1990) empirically tested the relationship between employees' career motives and types of psychological contracts. She found a negative relationship between careerism (a situation where a new employee considers employment with an organization as a stepping stone to another job) and an employee's relational psychological contract. That means, employees who viewed their present job as a stepping stone for future jobs were more likely to have a transactional psychological contract. In contrast, employees seeking job security in their current job and long-lasting employment with the organization were more likely to have a relational psychological contract (Rousseau, 1990).

### **Theoretical Framework**

At the foundation of the employee-organisation relationship is a psychological contract, comprised of beliefs about reciprocal obligations between the two parties (Rousseau, 1989; Schein, 1965). And work in itself is a means of fulfilling certain psychological needs of the individual (Levinson, et al. 1963). On the hand, it is a means of satisfying organizational needs. On the strength of this argument or fact Levinson (1965) describes the organisation-worker relationship in terms of reciprocation, a process of fulfilling mutual expectations and satisfying mutual needs. Expectedly, when there a breach of these reciprocations of mutual expectations in the workplace, counterproductive behaviours become inevitable. In the context of this paper, employee's theft, fraudulent, effort withholding and sabotage behaviour at work can be best understood within the framework of social exchange Theory and Equity Theory.

(i) *The Social Exchange Theory*: Social exchange theory (SET) is among the most influential conceptual paradigms for understanding workplace behavior. Its venerable roots can be traced back to at least the 1920s (e.g., Malinowski, 1922; Mauss, 1925), bridging such disciplines as anthropology (e.g., Firth, 1967), social psychology (e.g., Gouldner, 1960; Homans, 1958; Thibault & Kelley, 1959), and sociology (e.g., Blau, 1964). Although different views of social exchange have emerged, theorists agree that social exchange involves a series of interactions that generate obligations (Emerson, 1976). One of the basic trusts of SET is that relationships evolve over time into trusting, loyal, and mutual commitments. To do so, parties must abide by certain "rules" of exchange. Rules of exchange form a "normative definition of the situation that forms among or is adopted by the participants in an exchange relation" (Emerson, 1976: 351). In this way, rules and norms of exchange are "the guidelines" of exchange processes. Thus, the use of SET in models of organizational behaviour is framed on the basis of the exchange rule or principle (Cropanzano & Mitchel, 2005). Most of management research focuses on expectations of reciprocity; however, a number of other exchange rules have been outlined in SET. Cropanzano & Mitchel, (2005) clearly outlined the majority of the principles of reciprocity in mutual exchange relationships as:

*Reciprocity Rules*: Reciprocity or repayment in kind is probably the best known exchange rule. Gouldner (1960) provided an interdisciplinary review of what was then known of SET. Gouldner's outlining the nature of reciprocity within exchange and



distinguishing three different types of reciprocity: (a) reciprocity as a transactional pattern of interdependent exchanges, (b) reciprocity as a folk belief, and (c) reciprocity as a moral norm.

*Negotiated Rules:* Parties of exchange may also negotiate rules in the hope of reaching beneficial arrangements (e.g., Cook & Emerson, 1978; Cook, Emerson, & Gillmore, 1983). Negotiated agreements tend to be more explicit and quid pro quo than reciprocal exchanges. In addition, the duties and obligations exchanged are fairly detailed and understood. It is also noteworthy that negotiated elements of exchange differ in that they may continue beyond short-term agreements and may or may not be bound by legal or contractual sanctions. Negotiated exchanges are often a part of economic transactions.

Within contemporary management research, the aspect of SET that has garnered by far the most research attention has been the notion of workplace relationships (e.g., Shore, Tetrick, & Barksdale, 1999; Shore et al., 2004). This model of SET stipulates that certain workplace antecedents lead to interpersonal connections, referred to as *social exchange relationships* (Cropanzano, Byrne, Bobocel, & Rupp, 2001). Social exchange relationships evolve when employers “take care of employees,” which thereby engenders beneficial consequences. In other words, the social exchange relationship is a mediator or intervening variable: Advantageous and fair transactions between strong relationships and these relationships produce effective work behaviour and positive employee attitudes. This line of reasoning has received much attention—most of which uses Blau’s (1964) framework to describe social exchange relationships (i.e. employer and employee form a reciprocal relationship by which they agree to fulfill their own obligations).

(ii) *The Equity Theory* (Adam, Smith, 1963): Considered the employment situation as an exchange relationship of benefits between employers and employees, where benefits include pay, recognition and promotions. It focuses on determining whether the distribution of resources is fair to both relational partners. Equity is measured by comparing the ratio of contributions (or costs) and benefits (or rewards) for each person. The theory is considered one of the justice theories, first developed in the 1960s by J. Stacy Adams, and the trust is that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1963). Therefore, the belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization

Equity theories, equity theory posit inter-alia that:

- People develop beliefs about what is a fair reward for one’s job contribution - an exchange
- People compare their exchanges with their employer to exchanges with others—insiders and outsiders called referents
- If an employee believes his treatment is inequitable, compared to others, he or she will be motivated to do something about it -- that is, seek justice.

Equity theory also suggested that the consequences of inequity will include:

- The employee is motivated to have an equitable exchange with the employer.
- To reduce inequity, employee may...
  - Reduce inputs (reduce effort -i.e. effort withholding)



- Try to influence manager to increase outcomes (complain, file grievance, etc.)
- Try to influence co-workers' inputs (criticize others outcomes or inputs)
- Withdraw emotionally - or physically (engage in absenteeism, tardiness, or quit)

The equity model postulates that under conditions of perceived equity the individual experiences job satisfaction, becomes motivated and be more committed to the job. On the other hand, under conditions of perceived inequity (under-rewarded or over-rewarded relative to others) the individual experience dissatisfaction, demotivation and will be less committed. A state of equity is therefore said to exist whenever the ratio of one person's outcomes to inputs equals the ratio of another's outcomes to input (Daft, 2003). Applying this theory to the explanation of theft, fraudulent, effort withholding and sabotage behaviour among employee suggest that perception of inequity can lead to tension and psychological discomfort (Martins, 2005). This psychological tension may be followed by a desire to something about it or take action strike a feeling of balance. Using Adams (1963) equity theory in the context of this paper, feelings of balance can be achieve through a number routes: modify input (i.e. as in withdrawal behaviour, effort withholding behaviours -job neglect, job shirking etc), seek to modify outputs (i.e. as in sabotage,), modify perceptions of self (i.e. fraudulent self-enrichment, impropriety and corrupt sharp practices), modify perception of comparator (i.e. cutting corners and diversion of resources), change comparator or leave the situation (i.e. turnover intention).

### **Consequences of Psychological Contract Violation: Empirical Review**

The psychological contract has emerged as an analytical framework for analyzing the impact which employment changes can have on individuals (Guest, 2001). Based on an individual's perception that an employer has agreed to certain obligations in return for an employee's contributions to the organization (Turnley & Feldman, 2000), the psychological contract is a unique and subjective set of "...beliefs regarding reciprocal obligations." (Rousseau, 1990: 390). Usually incorporating concrete and abstract dimensions, the psychological contract implies aspects of the employment relationship, which go beyond the terms set in formal agreements (Anderson & Schalk, 1998, Rousseau & Schalk, 2000). Certain antecedents that lead individuals to perceive a breach in the psychological contract are exchange ideology (Coyle-Shapiro & Neuman, 2004). In most of the research, breach has always been investigated from the employee perspective –breach occurs when employees perceive that the organization has failed to fulfill its obligations.

The consequences of psychological contract breach have been reported in a great deal of previous research: *job satisfaction* (e.g. Cavanaugh & Noe, 1999; Tekleab & Taylor, 2003), *increased intention to leave* (e.g. Turnley and Feldman, 1999), *reduced trust in the organization* (e.g. Robison, 1996), *reduced commitment* (e.g. Coyle-Shapiro & Kessler, 2000) and more *cynical attitudes towards the organization* (e.g. Johnson & O'Leary-Kelly, 2003). In terms of behaviour, contract breach negatively affects in -role performance and extra -role behaviours (Lester et al., 2002; Robinson & Morrison, 1995). Similarly, *organizational citizenship behaviour* (e.g. Robinson & Morrison, 1995), *trust* (e.g. Robinson, 1996), and recently *corruption and fraudulent behaviours* (e.g. Ojedokun, 2008; Fagbohunge, Akinbode & Ayodeji, 2012; Balogun & Olowoduroye, 2012).



Also, studies have established clearly that perceptions of psychological contract violation have been found to reduce employees' trust, job satisfaction, intentions to remain with the organization, sense of obligation, and in-role and extra-role performance (Robinson, 1996; Robinson, *et al.*, 1994; Robinson & Morrison, 1995; Ojedokun, 2008; Umar & Ringim, 2015). These behaviours have the potential of precipitating counterproductive workplace behaviour, which manifest variously in stealing/theft, fraudulent, sabotage and effort withholding behaviours among workers. The Association of Certified Fraud Examiners (ACFE) estimates that the typical businesses will lose an average of six percent of revenues from employee theft. The ACFE report indicates that SME's suffer disproportionate losses because of the limited resources they have to devote to detect fraud and sabotage. Employee theft is a major component of retail shrinkage (Birendra & Mishra, 2006). Agreement is widespread that theft in the workplace is a serious problem (Weber, Kurke & Pentica, 2003; Shore, Tetrick & Barkdale, 2006). Employee's steal money, time, supplies, merchandise and company property information and overcharged extra cash from the customers (Walsh, 2000). Therefore, it is perhaps instructive to note that greater percentage of SME's bankruptcies in Nigeria could actually be due to employee theft, fraud, sabotage employee's effort withholding behaviours.

Weiner (1986) suggested that an emotional reaction deriving from blame attribution influences individuals' motivations and behaviour patterns. Employees may feel betrayed or violated by the organization after a psychological contract breach. They may blame the organization for the breach and may take action to restore balance in the relationship by decreasing behaviours that benefit the organization and increasing retaliation behaviours that may harm the organization. Thus, it is argued here that blame attribution drives cognitive and behavioural reactions to psychological contract breach. Moorthy, *et al.* (2011) while investigating workplace theft behaviour among SME's supermarket employees attribute employee theft behaviour to unfavourable organizational factors. The study concluded that next to customer's theft, is employee theft, which hitherto was responsible for the second major component of retail shrinkage due to huge retail space in supermarkets.

### **Research Questions**

The paper examined the behavioural and attitudinal outcomes of feelings of psychological contract and compensation contract violations among employees of some selected manufacturing and human service organisations. Specifically, we address three primary research questions:

1. Will Behavioural and attitudinal outcomes of male employees due to psychological contract violation differ significantly from that of the female workers?
2. Will behavioural and attitudinal response to psychological and compensation contract violations of employees working with the manufacturing sector differ from that of human service organization?
3. Will there be a significant positive correlation between feelings of psychological contract and compensation contract violations and employees behavioural and attitudinal outcomes?
4. Will there be a significant positive correlation between feelings of psychological and compensation contract violation and employees effort withholding behaviours?
5. Will employees that report psychological and compensation violation report higher behavioural and attitudinal outcomes compared to their counterparts that report no violation.



### Research Hypotheses

1. Behavioural and attitudinal response of male employees to psychological and compensation contract violation will be significantly different from that of the female workers.
2. Behavioural and attitudinal response to psychological and compensation contract violations of employees working with the manufacturing sector will not differ significantly from that of employees of human service organization?
3. There will be a significant positive correlation between feelings of psychological contract and compensation contract violations and employees behavioural and attitudinal outcomes?
4. There will be a significant positive correlation between feelings of psychological and compensation contract violations and employees effort withholding behaviours
5. Employees that report breach of psychological and compensation contract will report higher level of negative behavioural and attitudinal outcomes compared to their counterparts that report no violation.

### Sample

A total number 516 of employees of comprises of 261 males and 255 females from four streams of workers (i.e. factory, retailing, wholesaling and services) from purposively selected eight SME's manufacturing company and nine service SME's in the Lagos cosmopolitan participated in the study. For the manufacturing companies, ninety males (90; 55.2%) and seventy four female (74; 44.8%) were selected by accidental sampling technique to participate in the survey. While One hundred and seventy one males (171 48.6%) and one hundred eighty one female (181; 51.4%) were drawn from four service organizations. The average age for men was 31 ( $SD = 1.60$ ) and 27 for women ( $SD = 1.51$ ). The companies were selected by purposive sampling using the list of SME's obtained from the record of Lagos Chambers of Commerce and Industry. Employees had job tenured that averaged 5.4 years.

### Design

Cross sectional survey design was used in this study.

### Instruments

1. *Psychological Contract*: Psychological contract was by psychological contract scale (Raja, Johns & Ntalianis, 2004) which was an adaptation of the original 31-items Psychological contract scale developed by Milward and Hopkins (1998). The shortened 18-item scale revealed a clear two-factor solution that accounted for 36.4 percent of the variance (see Raja, Johns & Ntalianis, 2004), with coefficient alphas of .79 for Relational contract (RC) and .72 fh levels of individual's satisfaction with either transactional or relational contracts. G.A Akinbode for the purpose of this paper obtained a Cronbach's alpha of 0.56 and 0.67, respectively.



2. *Psychological Contract Violation*: Psychological contract violation was measured by a 4-items Feeling of Psychological Contract Violation (FPC-Violation) scale developed by Robinson & Morrison (2000) to measure employees' feelings job contract violation. The items were scale on 5-point Likert type scale ranging from "strongly disagree" (1) to "strongly agree" (5). Maximum score of 20 implies high psychological contract breach, while a score of 4 implies no psychological contract breach. The author reported Cronbach's Alpha of 0.81. A concurrent validity of 0.72 was reported, when feelings of contract violation scale were correlated with perceived contract breach scale. G.A Akinbode for the purpose of this paper obtained a discriminant validity of 0.63.
3. *Fraudulent Behaviours and Attitudes*: Fraudulent Behaviour and Attitude was measured by Workplace Fraudulent Behaviour and Attitude Scale (WFBA-15) adapted from Ahmad and Norhashim (2008). The respondents were asked to rate the seriousness of the behaviour based on five point scale ranging from 1 – strongly disagree to 5 –strongly agree. Ahmad and Norhashim (2008) reported a Cronbach's alpha of 0.80, 0.782 and 0.739, respectively for the three subscales (1-Theft and deception, 2-Fraudulent behaviour and 3-Amoral behaviour). G.A Akinbode and F. Ayodeji (2010) revalidated the instrument conform to local usage by examining the construct validity of the items through the use of factor analysis. The principal component analysis was employed and varimax rotation was applied. The factor analysis for the 15 items adapted yielded five factors with total explained variance of 87.1%. G.A Akinbode and F. Ayodeji (2010) reported four subscales in the new scale which measures different aspects of employees fraudulent behavioural and attitudinal tendencies in the workplace: (i) *fraudulent self-enrichment tendencies* -4-items, (ii) *Theft and Deception* -3-items, (iii) *Cutting corners and Diversion of Resources* -3-items, (iv) *Sabotage and Dishonesty* -2-items, (v) *Impropriety and Corrupt Practices* -3-items. The items were scaled on 5-point Likert type scale ranging from "strongly disagree" (1) to "strongly agree" (5). Maximum score of 75 identify an individual as highly fraudulent with high affinity for sabotage behaviours, while a score of 15 implies that the individuals not potentially fraudulent and has low affinity for sabotage behaviours. Cronbach's Alpha of 0.780, 0.831, 0.549, 0.601 and 0.670. and a discriminant validity of 0.52 was obtained by G.A Akinbode and F. Ayodeji (2010)
4. *Effort Withholding at Work*: Effort Withholding at Work was measured by Effort Withholding at Work scale (EWH-scale) developed by G.A. Akinbode (2012) to measure four aspects of efforts withholding at work by employees. The 28-item inventory comprises of four subscale; (i) *Job Shirking*: 7-items, (ii) *Job Neglect*: 7-items, (iii) *Social Loafing*: 10-items, and (iv) *Free Riding*: 4-items. The items were on 5-point Likert type scale ranging from "rarely -2", "Occasionally – 2", "Often - 3", "Usually -4", and "Always -5". The author, G.A. Akinbode (2012) reported Cronbach's alpha coefficients of reliability of 0.63, 0.69, 0.79 and 0.81, respectively.



## Procedure

Data were collected from the sampled employees in their office locations by trained research assistant within a period of six after official permission was obtained from the administration. Before the questionnaires were administered letters were sent to the various unit heads and supervisors to inform them of the aim of the study. Administration of the survey was done by approved dates and times of the day due to the nature schedules of the workers at the various companies. With the assistant of supervisors assigned to assist the research assistants, questionnaires were administered in batches, company by company to the participants for upwards of six weeks. Further, the participants at their different duty posts and offices were duly informed that the survey was meant strictly for research purposes and that the confidentiality of their responses is guarantee, as their names and units/department is not required on the survey. Opportunity to complete the survey at their spare time was granted for those who are visibly too busy to complete them immediately. A total of six hundred and ninety three (693) questionnaire were administered out of which 516 were completed successfully, which represent 74.5% response rate.

## RESULTS

Data collected in this study was subjected to statistical analysis obtaining the mean score and standard deviation of the predictors and criterion measures. The hypotheses postulated were tested with independent t-test, Pearson's product moment correlation coefficient and linear multiple regression analysis was used to establish the predictive relationship between the predictor variables and criterion variables under reference.

*Hypothesis 1: Behavioural and attitudinal responses of male employees to psychological contract violation will not be significantly different from that of the female workers counterparts.*

Results in Table 2 shows that there were no gender differences in the behavioural and attitudinal outcomes of employees under investigation. Fraudulent, theft and sabotage behaviour were not significantly different between male and female employees as reported. Similarly, Effort withholding behaviours (i.e. free riding, job shirking, job neglect and social loafing) were not significantly different between male and female.



**Table 2: Comparison by Gender the Influence of Psychological Contract Violation on Employees Behavioural and attitudinal Outcomes**

Criterion Variables	Gender	Mean	StD. D	Std. Error	Df	t-ratio	Pv
<b>Fraudulent/Theft/Sabotage</b>							
1. Fraudulent self Enrichment	Male	12.83	1.51	.002	514	.826	p>.05
	Female	12.72	1.62	.100			
2. Theft and Deception	Male	9.27	1.82	.110	514	-1.403	p>.05
	Female	9.49	1.71	.110			
3. Cutting Corner & Diversion of Resources	Male	9.65	1.74	.110	514	-.366	p>.05
	Female	9.70	1.64	.100			
4. Sabotage and Dishonesty	Male	13.05	2.00	.120	514	-1.211	p>.05
	Female	13.25	1.84	.121			
5. Impropriety & Corrupt Practices	Male	9.90	1.64	.100	514	-.257	p>.05
	Female	9.93	1.61	.111			
<b>Effort Withholding</b>							
1. Free Riding	Male	13.34	2.32	.140	514	-.343	p>.05
	Female	13.42	2.37	.150			
2. Job Shirking	Male	13.96	2.80	.170	514	-.893	p>.05
	Female	14.18	2.76	.171			
3. Job Neglet	Male	13.19	2.57	.160	514	-1.890	p>.05
	Female	13.62	2.67	.170			
4. Social Loafing	Male	16.03	2.28	.140	514	-.737	p>.05
	Female	16.18	2.34	.150			

*Hypothesis 2: Behavioural and attitudinal response to psychological contract violation of employees working with the manufacturing sector will not differ significantly from that of employees of human service organization?*

**Table 3: Comparison by Organisational Type the Influence of Psychological Contract Violation on Employees Behavioural and Attitudinal Outcomes**

Criterion Variables	Or. Type	Mean	StD. D	Std. Error	Df	t-ratio	Pv
<b>Fraudulent/Theft/Sabotage</b>							
6. Fraudulent self Enrichment	Manufacturing	12.83	1.62	.130	513	.547	p>.05
	Service Org.	12.75	1.54	.002			
7. Theft and Deception	Manufacturing	9.44	1.88	.150	513	.550	p>.05
	Service Org.	9.35	1.72	.009			
8. Cutting Corner & Diversion of Resources	Manufacturing	9.83	1.78	.140	513	1.470	p>.05
	Service Org.	9.60	1.64	.008			
9. Sabotage and Dishonesty	Manufacturing	13.26	2.05	.160	513	.915	p>.05
	Service Org.	13.09	1.86	.009			
10. Impropriety & Corrupt Practices	Manufacturing	10.05	1.76	.140	513	1.278	p>.05
	Service Org.	9.85	1.56	.008			
<b>Effort Withholding</b>							
5. Free Riding	Manufacturing	13.47	2.33	.180	513	.592	p>.05
	Service Org.	13.34	2.35	.130			
6. Job Shirking	Manufacturing	14.05	2.73	.210	513	-.126	p>.05
	Service Org.	14.08	2.81	.150			
7. Job Neglect	Manufacturing	13.22	2.56	.200	513	-1.065	p>.05
	Service Org.	13.49	2.66	.140			
8. Social Loafing	Manufacturing	16.94	2.26	.180	513	-1.096	p>.05
	Service Org.	16.18	2.33	.120			



By implication, the self-report of the sampled respondents as analysed revealed that were similar in all respect. One notable observation from the results was that fraudulent, theft, sabotage and effort withholding behaviour were higher for both male and female employees in the sampled SME's organization.

*Hypothesis 3: There will be a significant positive correlation between feelings psychological contract violation, compensation contract violation and employees behavioural and attitudinal outcome.*

**Table 4a: Inter-correlation Matrix of Predictors and Criterion Measures**

Predictors and Criterion Measures	1	2	3	4	5	6	7	8
1. Feelings of psychological violation	1							
2. Compensation contract violation	.058	1						
3. Fraudulent self-enrichment tendencies	.150**	.118**	1					
4. Theft and deception	.247**	.173*	.112**	1				
5. Cutting corners and diversion of resources	.204**	.181*	.049	.799**	1			
6. Sabotage and dishonesty	.206**	.263*	.107**	.888**	.702**	1		
7. Impropriety and corrupt practices	.170**	.165*	-.050	.736**	.908**	.645**	1	
8. Fraudulent, theft and sabotage behaviour	.252**	.346*	.295**	.928**	.899**	.882**	.841**	1
<b>Mean</b>	<b>15.75</b>	<b>13.53</b>	<b>12.78</b>	<b>9.38</b>	<b>9.67</b>	<b>13.15</b>	<b>9.91</b>	<b>54.8</b>
<b>Standard Deviation</b>	<b>3.08</b>	<b>2.37</b>	<b>1.56</b>	<b>1.77</b>	<b>1.69</b>	<b>1.92</b>	<b>1.63</b>	<b>6.68</b>

\*\* Correlation is significant at the 0.01 level (1-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

Table 4a shows very high significant positive correlations (i.e.  $p < 0.01$ ) between the predictor variable -feelings of psychological contract violation, and criterion variables (Fraudulent self-enrichment tendencies, theft and deception, Cutting corners and diversion of resources, Sabotage and dishonesty and impropriety and corrupt practices. Similarly, significant positive correlation were obtained between compensation contracts violation and employees fraudulent self-enrichment tendencies, theft and deception, cutting corners and diversion of resources, sabotage and dishonesty and impropriety and corrupt practices. This result clearly underscores the potential influence of employees perceived psychological and compensation contracts violations on their behavioural and attitudinal outcomes, and by extension operational challenges and bankruptcies of the sampled SME's organizations.

In order to test for the significance of regression weights of the independent variables on the prediction of employee's behavioural and attitudinal outcomes linear multiple regression was computed and results presented in tables 3a and 4b.

In Table 4b psychological contract and compensation contract violation was regressed against the criterion measures. The standardized regression weights and its associated t-ratios were significant for each dependent variable under reference.



**Table 4b: Relative Contributions of Predictor Variables to the Prediction of the Criterion variables**

Models	B	Std. Error	Beta	t-ratio	Sig	R	R <sup>2</sup>	F-ratio	Pv
<b>1. Fraudulent Enrichment</b>									
Feelings of Psychological Contract Violation	.556	.093	.256	5.990	P<.05	.259	.067	18.51	P<.05
Compensation Contract Violation	.270	.120	.161	3.417	P<.05				
<b>2. Theft and Deception</b>									
Feelings of Psychological Contract Violation	.145	.025	.252	5.91	P<.05	.262	.069	18.92	P<.05
Compensation Contract Violation	.006	.032	-.087	-2.040	P<.05				
<b>3. Cutting Corner/Diversion</b>									
Feelings of Psychological Contract Violation	.115	.024	.210	4.868	P<.05	.224	.050	13.60	P<.05
Compensation Contract Violation	.116	.031	.213	3.149	P<.05				
<b>4. Sabotage and Dishonesty</b>									
Feelings of Psychological Contract Violation	.131	.027	.209	4.837	P<.05	.216	.047	12.77	P<.05
Compensation Contract Violation	.206	.035	.175	2.743	P<.01				
<b>5. Impropriety &amp; Corrupt Practices</b>									
Feelings of Psychological Contract Violation	.009	.023	.174	4.000	P<.05	.185	.034	9.13	P<.05
Compensation Contract Violation	.005	.030	.115	2.171	P<.01				
<b>6. Fraudulent/Theft/Sabotage</b>									
Feelings of Psychological Contract Violation	.556	.093	.256	5.990	P<.05	.259	.067	18.51	P<.05
Compensation Contract Violation	.170	.120	.161	2.417	P<.01				

Psychological and compensation contract violations accounted for about 25.6% and 16.1% of the observed variance in fraudulent self-enrichment, theft/deceptions, corners cutting/diversion of company resources, sabotage and dishonesty, as well as impropriety and corrupt sharp practices, respectively, among the sampled employees.

*Hypothesis 4: There will be a significant positive correlation between feelings psychological contract violation, compensation contract violation and employees effort withholding behaviours*

In Table 4a inter-correlation matrix shows very high significant positive correlations (i.e. both at p<0.01 and p<.05) between feelings of psychological contract violation on effort withholding behaviours (fee riding, job shirking, job neglect and social loafing). Similarly, significant positive correlations were obtained between compensation contracts violations on effort withholding behaviours (fee riding, job shirking, job neglect and social loafing). By implications, this result clearly reveal the behind operational challenges and perhaps, bankruptcies of the sampled SME’s organizations.



**Table 5a: Inter-correlation Matrix of Predictors and Criterion Measures**

	1	2	3	4	5	6	7
1. Feeling of psychological violation	1						
2. Compensation contract violation	.058	1					
3. Job Shirking	.262**	.103**	1				
4. Job Neglect	.211**	.009	.017	1			
5. Free Riding	.247**	.137**	.077*	.048	1		
6. Social loafing	.157**	.087*	.069	.017	.040	1	
7. Effort Withholding	.427**	.160**	.548**	.543**	.534**	.434**	1
<b>Mean</b>	<b>15.75</b>	<b>13.53</b>	<b>14.07</b>	<b>13.40</b>	<b>13.38</b>	<b>16.11</b>	<b>14.24</b>
<b>Standard Deviation</b>	<b>3.08</b>	<b>2.37</b>	<b>2.78</b>	<b>2.62</b>	<b>2.34</b>	<b>2.31</b>	<b>1.30</b>

\*\* Correlation is significant at the 0.01 level (1-tailed)  
 \* Correlation is significant at the 0.05 level (2-tailed)

In order to test for the predictive significance of the positive correlation obtained in Table 4a above, regression weights of the independent variables on the prediction of the criterion measure was examine by linear multiple regression analysis and results presented in Table 5b.

Table 5b shows a combination of the two independent variables (psychological contract violation and compensation contract violation) in predicting the employee’s effort withholding behaviour.

**Table 5b: Relative Contributions of Predictor Variables to the Prediction of the Criterion variables**

Models	B	Std. Error	Beta	t-ratio	Sig	R	R <sup>2</sup>	F-ratio	Pv
<b>1. Free Riding</b>									
Feelings of Psychological Contract Violation	.183	.032	.240	5.645	P<.05	.276	.076	21.11	P<.05
Compensation Contract Violation	.121	.042	.123	2.887	P<.05				
<b>2. Job Shirking</b>									
Feelings of Psychological Contract Violation	.232	.038	.257	6.036	P<.05	.276	.076	21.13	P<.05
Compensation Contract Violation	.103	.050	.088	2.064	P<.05				
<b>3. Job Neglect</b>									
Feelings of Psychological Contract Violation	.180	.037	.211	4.875	P<.05	.211	.044	11.90	P<.05
Compensation Contract Violation	.003	.048	.013	2.073	P<.01				
<b>4. Social Loafing</b>									
Feelings of Psychological Contract Violation	.114	.033	.152	3.500	P<.05	.175	.031	8.13	P<.05
Compensation Contract Violation	.007	.042	.078	2.800	P<.01				
<b>5. Effort Withholding</b>									
Feelings of Psychological Contract Violation	.177	.017	.419	10.606	P<.05	.448	.201	64.41	P<.05
Compensation Contract Violation	.007	.022	.135	3.424	P<.05				



Regression analysis yielded a coefficient of multiple regressions  $R$ 's ranging .175 to .448 and  $R^2$  ranging from .031 to .201, respectfully. Also, the table shows that the analysis of variances for the multiple regression data produced  $F$ -ratios ranging from 8.13 to 64.41 which are significant at 0.05 levels, respectively.

The relative contribution of psychological and compensation contract violation to the prediction as shown in Table 5b present the standardized regression weight, standard error of estimation,  $t$ -ratios and the level at which the  $t$ -ratios are significant for each variable. The standard regression weight ranges from .078 to .419, and  $t$ -ratio from 2.073 to 5.645. The table reveals that psychological and compensation contract violation significant predicted observed variance in employee behavioural and attitudinal outcomes (i.e. as shown by the magnitude of  $R^2$ 's values reported).

*Hypothesis 5: Employees that report breach of psychological and compensation contract will report higher level of negative behavioural and attitudinal outcomes compared to their counterparts that report no violation.*

Result in Table 6 MANOVA was conducted to examine the overall influence of gender, compensation and psychological contract violations on the sampled employee's behavioural and attitudinal outcomes. Psychological contract violation was significant influence on counterproductive workplace behaviour: Theft and deception ( $F$ -ratio = 13.56\*,  $p < 0.05$ ; Wilk's Lambda = .980), Cutting corners and diversion of resources ( $F$ -ratio = 17.59\*,  $p < 0.05$ ; Wilk's Lambda = .980), Sabotage and dishonesty ( $F$ -ratio = 11.59\*,  $p < 0.05$ ; Wilk's Lambda = .980), Impropriety and corrupt practices ( $F$ -ratio = 7.75\*,  $p < 0.05$ ; Wilk's Lambda = .980). Similarly, psychological contract violation was also significant on effort withholding behaviours at work: Free riding ( $F$ -ratio = 18.82\*,  $p < 0.05$ ; Wilk's Lambda = .980), Job neglect ( $F$ -ratio = 16.10\*,  $p < 0.05$ ; Wilk's Lambda = .980), Job shirking ( $F$ -ratio = 7.42\*,  $p < 0.05$ ; Wilk's Lambda = .980), Social loafing ( $F$ -ratio = 12.48\*,  $p < 0.05$ ; Wilk's Lambda = .980). Gender was significant on theft and deception ( $F$ -ratio = 3.42\*,  $p < 0.05$ ; Wilk's Lambda = .980) and expectedly, male employees had higher mean scores on theft and deception scale compared to their female counterparts. Interaction between gender and compensation contract violation was significant on theft and deception as well as job shirking (Theft and deception:  $F$ -ratio = 4.81\*,  $p < 0.05$ ; and Job shirking: 3.69\*).



**Table 6:2x2x2 MANOVA summary table showing Gender, Psychological and Compensation Contract Violations on Employees Behavioural and Attitudinal Outcomes**

Source	Fraudulent Enrichment R <sup>2</sup> = .109		Theft & Deception R <sup>2</sup> = .501		Cutting Corners & Diversion R <sup>2</sup> = .133		Sabotage & Dishonesty R <sup>2</sup> = .015		Impropriety & Corrupt Practice		Free Riding		Job Neglect		Job Shirking		Social Loafing		Wilks' Lambda
	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	MSQ	F-cal	
Gender (A)	1.36	.56	10.216	3.42*	.29	.10	5.92	1.63	.32	.12	.23	.04	9.56	1.42	.186	.02	4.09	.78	.9
Compensation Contract Violation (B)	6.42	2.64	.275	.092	.68	.25	2.69	.74	.13	.05	8.26	1.56	3.23	1.56	9.53	1.25	.17	.03	.9
Psychological Contract Violation (C)	7.44	3.07	40.49	13.5*	48.48	17.5*	41.93	11.5*	20.22	7.75*	99.57	18.8*	107.99	16.10*	56.43	7.42*	64.86	12.48*	.8
A * B	.29	.12	14.38	4.81*	2.50	.90	4.19	1.16	4.22	1.61	3.65	1.73	11.65	1.73	28.05	3.69*	.83	.16	.9
A * C	.25	.10	.24	.08	.84	.30	.54	.15	.02	.01	.45	.08	.16	.02	1.08	.14	.13	.02	.9
B * C	1.78	.73	13.77	4.61*	1.83	.66	4.67	1.29	3.01	1.15	.68	.12	19.58	2.92	9.20	1.21	9.10	1.75	.9
A * B * C	4.308	1.77	.26	.08	1.16	.42	.09	.01	.70	.27	1.03	.19	.21	.03	11.93	1.57	7.32	1.40	.9

This result as presented in Table 6 clearly shows that male employees that reports compensation contract violations engaged in theft and deception as well as job shirking. Likewise, more employee that report higher violations of both compensation and psychological contract engaged in theft and deception, which hitherto underscores the rising spate of fraud, corruption, and sharp practices in both public and private sector workplaces in the country.

**DISCUSSIONS**

This study examined employee’s evaluation of psychological and compensation contract violations and what consequences such evaluation has on their behavioural and attitudinal responses. Key findings suggest that the majority of employees are experiencing contract violations. The consequences of these feelings were examine against e.g. fraudulent enrichment tendencies, theft and deception, cutting corners and



diversion of resources, Sabotage and dishonesty as well as impropriety/corrupt sharp practices) as well as deliberate effort withholding to slow down workplace and productivity. The first hypothesis was that behavioural and attitudinal responses of male employees to psychological and compensation contract violation will be significantly different from that of the female workers. In line with this hypothesis, the results showed that there were no significant differences in the behavioural and attitudinal outcomes of male and female workers sampled. These findings support Coyle-Shapiro and Kessler, (2000), Ajayi, 2000; Ojedoju (2008), Balogun and Olowoduroye, (2012), Fagbohunge, Akinbode and Ayodeji (2012), as well as that of Umar and Ringim, (2015). Even though male employees are expected to be much more reactive to psychological and compensation contract violations, women also have also shown clearly to be much more reactive. This may not be unconnected to the shifting gender role responsibilities in the families in Nigeria, due unfavourable hardship and high unemployment rate. More women are entering into paid employment to care for their families and in some cases have become the sole bread winner for the family. Hence, any infractions at work impact significantly on such responsibilities and consequently negative behavioural and attitudinal outcomes.

As it is expected in the second hypothesis, the results showed further that behavioural and attitudinal responses to psychological and compensation contract violations of employees working with the manufacturing sector did not differ significantly from that of employees of human service organization. It was established for both work sectors that an average employee's steal money, time, supplies, merchandise and company property information and overcharged extra cash from the customers. This findings support the findings of Justin and Walsh (2000), Greenberg ( 2002), Weber, Kurke and Pentica (2003), which hitherto underscores the prevailing operational challenges of our SME's in the country. One possible reason for this is that several aspects of the employment relationship within SME's are largely unwritten or not formally established between the employee and employer because of the irregular nature of the employment relationship in the SME's manufacturing sector under reference. Likewise, when employment relationships in human service organizations seem to be more regular with clear terms and conditions of employment they are often violated. This further explains the frequent strikes, lock –out and work stoppages in the last two decades in Nigeria. The situation is worst in the manufacturing sector due to the nature of their jobs (i.e. very irregular and unsecured and largely unskilled). They are more prone to high turnover, which is partly responsible for the attitude of the employers to psychological and compensation contract breaches reported by the employees.

As one of the objective of the present study, feelings psychological and compensation contract violations on employee's behavioural and attitudinal outcomes was examined. Results showed that employees reported higher levels of fraudulent self-enrichment tendencies, theft and deception, cutting corners and diversion of resources, sabotage and dishonesty behaviours and impropriety/sharp corrupt practices due to feelings of psychological contract violation. Also, results revealed that compensation contracts violation influence employee's reported more fraudulent self-enrichment tendencies, theft and deception, cutting corners and diversion of resources, sabotage and dishonesty and impropriety and corrupt practices as a result of compensation contracts violations. This result clearly underscores the reasons behind operational challenges and bankruptcies usually witnessed in recent times among various SME's organizations in Nigeria. this result again is in agreement with the Social exchange theory (see e.g., Adegbite, 1995; Ajayi, 2000; Ayozie, 1999; Malinowski, 1922; Mauss, 1925; Gouldner,



1960; Homans, 1958; Thibault & Kelley, 1959; Blau, 1964) according to which certain workplace antecedents lead to interpersonal connections, referred to as *social exchange relationships* (Cropanzano, Byrne, Bobocel, & Rupp, 2001).

Social exchange relationships evolve when employers “take care of employees,” which thereby engenders beneficial consequences (see e.g., Shore, Tetrick, & Barksdale, 1999, 2006; Shore et al., 2004). Moreover, advantageous and fair transactions between strong relationships and these relationships produce effective work behaviour and positive employee attitudes devoid of any counterproductive workplace behaviour and vice versa. Most often than not, unexplained psychological contract violations allow employees to conclude that it is at least rational –and perhaps even reasonable–to help themselves by stealing, cut corners to divert company’s resources for personal use and to fraudulently enriching themselves to running parallel private business with the company, as well as engaging in all manner of impropriety and sharp practices (Hollinger & Clark, 1982, 1983; Murphy, 1993; Robinson & Greenberg, 1998; Setharama, et al, 2009).

Also, as expected in the fourth hypothesis, results showed that employee’s report high levels of effort withholding behaviour (i.e. identified as job shirking, job neglect, free riding and social loafing) at work as a direct response of their feelings of psychological and compensation contract violations. This finding is in accordance with previous findings concerning psychological contract breach and effort withholding behaviour in English culture workplaces that unexplained psychological contract violations allow employees to rational –and perhaps even reasonable–to provide less their full effort (Robinson & Bennett, 1995; Albanese, & van Fleet, 1985; Karau & Williams, 1993; Kidwell & Bennett, 1993, 2001; Kidwell & Robie, 2003; Miles & Klein, 2002). Withholding effort at work, in its various forms, has been labelled “production deviance” (Robinson & Bennett, 1995).

In line with objective and hypothesis 5 employees report breach of psychological as a consequence report higher level of negative behavioural and attitudinal outcomes compared to their counterparts that report no violation. This is perhaps expected, because some theorists believe that most people will steal if given a chance (Hollinger & Clark, 1983), particularly when the individual feel that contractual agreements has been breached (Walch, 2000). Therefore, employment situation populated as it were by young people and where psychological and compensation contract is being violated with impunity is predisposed to emotional unstable individuals due to economic pressures (Hollinger & Clark, 1983). Not only that, inadequacy or inequity of compensation has the potential of triggering employee theft and fraudulent behaviours powered by a strong feelings of deprivation to steal as protest behaviours. Employment situations become a free for all opportunity for all manner of counterproductive behaviours to compensate for the economic pressures created by such violations. This result supports the findings that employees steal money, time, supplies, merchandise and company property information and overcharged extra cash from the customers (see e.g. Hollinger & Clark, 1983; Justin & Walsh, 2000; Greenberg, 2002; Weber, Kurke & Pentica, 2003; Birendra & Mishra, 2006).

According to Abrecht and Wernz (1993) employees can engaged themselves in theft, fraud and sabotage behaviours due misplaced trust and situational pressure (i.e. usually financial need), particularly when the opportunity present itself as a way to rationalized employers dishonest act of violating employment psychological contract. Little wonder



that fraud, theft, corruption has grown to a worrisome dimension in Nigeria today. Many Nigerian workers are more prone to taking steps to implement a scam given the opportunity. This finding is therefore very instructive to answer some pertinent questions about seeming spate of SME's bankruptcies in Nigeria in recent times.

### **Theoretical and Practical Implications of the findings**

The finding of this study has implication for all workers of the organization as well as the human resource managers of every organization, particularly SMEs in Nigeria. Nigeria economic space is obviously an emerging market and developing economy where Small and Medium Scale Enterprises is a major driver of the economic activities (Adegbite, 1995; Ajayi, 2000; Tijani-Alawe, 1999; Ayozie, et al 2013). Owners of SME's and their management should as a matter of utmost concern review the content of employment relationships in view psychological contracts and seek to ensure that all explicit and implicit obligations are fulfilled. This will probably enable them to prevent employees fraudulent and sabotage behaviour which has implications for their operational efficiency and bankruptcy. If the current trends as demonstrated in this study is allowed to subsist it potent grave danger for the continue survival of SMEs in this our emerging economy. Organizational communications remain a veritable tool to handle complaints through appropriate authorities and procedure, instead of sabotaging the efforts of the organisation towards productivity. This is because frustrations leading to sabotage behaviours constitute one of the great hindrances to the general success of the SMEs organizations.

### **Recommendations of the study**

In view of the findings of the current research, the study made the following recommendations:

1. Firstly, the human resource managers should also understand employment relationship is a social contract powered by exchange process. Hence, employer-employees relationship demands that each party in the exchange process fulfill all obligations to engender positive perceptions. They should create a work environment where fairness, justice and equity remain the watch words of policies and procedures. Treating employees with respect is of utmost important in order to enhance employee's commitment at work and therefore reduce sabotage and fraudulent behaviours among workers. However, it is important to remember that employees may not always voice their feelings, so observing body language, attitudes and dispositional orientations are important as they constitute the signposts to employee's frustrations in any organization.
2. The managers should be role models to all workers in implementing workers friendly policies. When policies and procedures are made within the organization, those in power need to follow the same rules. For instance, if the business owners, managers refused to show concern for the needs, feelings and aspirations of their workers or subordinates, the tendency to be dissatisfied and consequently redress such behaviour by engaging in sabotage behaviours very obvious in the light of the findings of this study.
3. Another way the organization should reduce sabotage and increase productivity in the organization is by organizing constant training for both the managers and workers of the organization. The essence is that the managers will be trained on the new ways to manage their employees according to a global standard practice. This will enable them deal with the workers in such a way that will go out of their



way to produce efficiently for their organization. On the part of the workers, they should be enlightened on the need to be faithful to the organization as work sabotage will pool the organization down and put them out of their job.

4. For the managers, they should be proactive in the provision of conducive work environments that minimize stress among workers at the workplace. Moreover, conduct frequent surveys or mini research among their workers in order to ascertain the feelings of workers about psychological contractual obligations.

## **Conclusions**

To conclude, this study demonstrates that psychological contract is an important element of the employment relationship and plays a significant role in shaping employee behaviours, attitudes and performance in the workplace. An employee's psychological contract is composed of the perceived employer's obligations to the employee and reciprocally, the employee obligations back to the employer. These obligations form the foundations of the employment relationship, at least in the mind of the employee. When these perceived expectations from mutual "social contract" are not fulfilled, the employee may perceive a breach in the psychological contract. The study demonstrated that these perceptions whether or not they are accurate, have been found to precipitate negative behavioural and attitudinal responses (e.g. fraudulent behaviours, theft and deception, cutting corners, sabotage and dishonesty, corrupt practices, as well as effort withholding behaviours (e.g. job shirking, job neglect, social loafing and free riding) at work. The key findings suggest that the majority of employees have experienced contract breach as reported in the employees self-report surveys completed. Overall, the findings indicate that employees are redressing the balance in the relationship through stealing, sabotage and effort withholding probably in protest of the breach. These behaviours have profound implications for the maintenance on employee commitment and their willingness to perform their duties, when they perceive that their employer as not fulfilled its part in the exchange process. These findings are very instructive as it underscores the human angle view of the operational challenges and seeming bankruptcies of SME's, as well as the quality of employee-employer's employment relationship in Nigeria.

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