



PROMOTING EFFECTIVE PSYCHOLOGICAL CONTRACTS THROUGH LEADERSHIP: THE MISSING LINK BETWEEN HR STRATEGY AND PERFORMANCE

**AOIFE M. MCDERMOTT, EDEL CONWAY, DENISE M.
ROUSSEAU, AND PATRICK C. FLOOD**

This article offers line managers and HR professionals an actionable, research-based framework for developing psychological contracts with employees that suit their organizational and human resource (HR) strategy. Leadership styles supporting the firm's HR strategy are key to making psychological contracts that benefit both the firm and its members. When managers' styles are out of sync with HR strategy, this mismatch can lead to poorer performance through ineffective and unfulfilled psychological contracts with workers.

Keywords: leadership, psychological contract, line manager/employee relations, strategic HR

Which Manager Is Acting Strategically?

Bill Jones, manager of a call center, has worked with his marketing department to develop scripts for the center's workers to follow in talking with customers. Experienced workers often participate in focus groups to advise Bill on how to make these scripts more effective. Employees who consistently fail to adhere to the script are terminated. For agents who perform satisfactorily, Bill offers a retention

bonus for every three months they remain on the job. Last year, during an economic downturn, he laid off 12 percent of the center's workers.

Violet Sharma directs the laboratory in a small chemical company. HR recently introduced a training and development fund that requires manager approval for employees interested in taking courses. Violet has told her laboratory staff that the company prides itself on being a great place to work and supports them in developing skills useful to it in

Correspondence to: Aoife M. McDermott, Cardiff Business School, Cardiff University, Colum Drive, Cardiff, CF10 3EU, Wales, U.K., Phone: +44 29 2087 5065, E-mail: mcdermotta@cardiff.ac.uk.

Human Resource Management, March–April 2013, Vol. 52, No. 2. Pp. 289–310

© 2013 Wiley Periodicals, Inc.

Published online in Wiley Online Library (wileyonlinelibrary.com).

DOI:10.1002/hrm.21529

the long term. She asks all staff seeking training and development funding to develop a career growth plan in order for funding to be granted.

In point of fact, both managers are acting strategically. The call center's HR strategy is to stress adaptability in the face of market changes, along with consistency in the public face the firm presents to the customer. Both its management and HR practices reinforce flexibility in head count and consistent performance. The laboratory depends on high value-adding contributions from its employees, who require both advanced skills and the ability to work well together in order to achieve research and

*The primary vehicle
managers have
for making firms
successful is the
psychological
contracts they
create with workers.*

development goals. Bill's leadership involves allocating rewards and sanctions based on employee performance. Violet's leadership conveys a compelling vision for future growth with the company. Both managers support the specific HR practices their companies use to execute strategy, yet both companies and their practices are very different. Just imagine if their approaches to leadership were interchanged. Let Bill try to inspire his employees to create career development plans and

Violet try and structure the day-to-day duties and responsibilities of the research scientists while offering retention bonuses. Both sets of behaviors are out of place and likely to confuse employees. Our point with these examples is that for good results leadership style needs to be congruent with HR strategy and practices. This is no less the case for supervisors and midlevel managers than it is for executives. It is the support that line managers' leadership can provide to HR's strategy and practices that is the focus of this article.

Firms perform better when their HR practices have strategic purpose (Huselid, 1995). The same is true for the behaviors of managers at all levels. The task of strategic human resource management (SHRM) is to put in place ways of recruiting and managing people that help the firm succeed. Strategic HR practices are brought to life

in the day-to-day conduct of line managers (Purcell & Hutchinson, 2007), which in turn impacts employee' beliefs and behaviors (Paauwe, 2009). The primary vehicle managers have for making firms successful is the psychological contracts they create with workers (Rousseau, 1995). Though SHRM scholars repeatedly emphasize how important managers are to HR practice (Boselie, Dietz, & Boon, 2005; Bowen & Ostroff, 2004; Wright & Nishii, 2007), little is written on what managers can actually do to make strategically appropriate psychological contracts.

How line managers heading business units and departments can actually walk the strategy in their day-to-day conduct is our focus. Managerial behavior provides the missing link between HR practices and firm performance, through the ways managers channel and craft practices to fulfill the firm's psychological contracts with its employees. Psychological contracts refer to what employees believe they owe their employer as well as what they believe they are owed in return (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008; Rousseau, 1995; Suazo, Turnley, & Mai-Dalton, 2008). Contract beliefs and their fulfillment are strongly related to employees' job performance, employment duration, and extra-role contributions (Rousseau, 2010). Study after study demonstrates that line managers are the primary contract makers for employees (Coyle-Shapiro & Kessler, 2000; Dabos & Rousseau, 2004; Stanton, Young, Bartram, & Leggat, 2010).

The exercise of leadership in forming and fulfilling employees' psychological contracts can be a baffle or a conduit between organization-level HR strategy and worker contributions to firm performance. Our basic premise is that what line managers do has direct consequences for psychological contracts; when these managers act in ways aligned with strategic HR, strategically appropriate contracts emerge. This article lays out a framework drilling down into the critical middle of the HR system, where HR practices are acted on and experienced by line managers and their employees. To send strategic messages, managers need the

support of coherent HR practices. For example, a workplace that introduces a flexibility program to return older workers needs its managers to endorse and support these arrangements. Whether managers respond with enthusiasm and creativity or resistance and constraint largely determines the program's results (cf. Hornung, Rousseau, & Glaser, 2009).

We build on four core ideas:

1. There is no one best leadership style. Effective leaders may need more than one style in their repertoire. Good leaders adapt their behaviors, signals, and commitments in line with strategic goals in order to convey appropriate and realistic expectations to their employees.
2. Coherent HR systems where HR practices are clear and mutually reinforcing provide a guide to managers to help them engage in appropriate leadership behaviors.
3. Strategically consistent leader behaviors promote appropriate psychological contracts.
4. Psychological contracts aligned with strategy translate HR systems into firm performance via their impact on employees' attitudes and behaviors.

Well-functioning SHRM delivers practices, signals, and beliefs that are aligned across levels, from the firm and business unit to employee groups and individual workers. At times, these levels have brought a frustrating amount of complexity to the implementation of the strategy-performance link. Many firms that claim to have strategic HR systems have merely adopted the SHRM label while failing to display the alignment and follow through that constitutes strategic HR practice. By specifying the research-based connections that exist between HR strategy and practices on the one hand and the way line managers lead and influence psychological contracts on the other, our framework is scalable. It provides guidance to leaders at all levels of the organization. We identify our framework's implications for practicing line managers seeking to send strategically appropriate signals to their employees. At the same time, we raise issues

for scholars interested in better explicating the HR-performance linkage.

Linking SHRM to Performance

Practices that enhance employee and firm performance have been *the* dominant SHRM theme in the past two decades (Guest, 2011). This focus followed Huselid's (1995) seminal research, which demonstrated the link between adopting SHRM practices and higher firm performance. This SHRM-performance relationship is reported across a variety of industries (e.g., Appelbaum, Bailey, Berg, & Kalleberg, 2000; Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995; Subramony, 2009). A connection clearly exists, but what exactly is being connected through this relationship remains somewhat of a mystery. Despite at least 104 published studies by 2005 (Boselie et al., 2005), SHRM's progress has been limited by loose theory that fails to specify how HR practices generate individual or unit-level results (Guest, 1997, 2011; Legge, 2005). Critics have been particularly concerned with the need to identify the role that employees play in linking HR and performance (Paauwe, 2009). This article extends current theory by highlighting the intervening role of local leadership behavior and psychological contracts in realizing the promise of SHRM.

*Well-functioning
SHRM delivers
practices, signals,
and beliefs that
are aligned across
levels, from the firm
and business unit
to employee groups
and individual
workers.*

The Top-Down View: HR System's Human Capital Advantage

Taking a firm-level view of SHRM calls attention to the design of HR systems, in particular how employees can be recruited with the right competencies, how rewards can be effectively targeted toward critical contributions, and how employees can be retained at rates sufficient to capture the benefits of their skills and development. These HR-related decisions seek to realize what has been called human capital advantage (Boxall & Purcell,

2011). Underpinning this perspective is the notion of optimal supports provided by the Ability-Motivation-Opportunity (AMO) model, a framework developed by Boxall and Purcell (2011) to detail the ways HR systems support firm performance. In the AMO model, firms first need employees who have or can acquire required skills (ability). Second, employees must be motivated to contribute or perform in strategically required ways (motivation). Third, employee roles, responsibilities,

*Taking a firm-level
view of SHRM
calls attention
to the design of
HR systems, in
particular how
employees can be
recruited with the
right competencies,
how rewards can be
effectively targeted
toward critical
contributions, and
how employees
can be retained at
rates sufficient to
capture the benefits
of their skills and
development.*

ties, and job duties must be appropriately designed and structured (opportunity to perform). The AMO model helps chart the effects that various HR strategies have on employees (individually and in specific categories), ranging from those with basic skills, as in fast-food services, to those with advanced qualifications, as in health care (Boxall & Purcell, 2011, p. 5). By putting AMO mechanisms in place, HR practices promote sought-for employee contributions and targeted levels of firm performance (Appelbaum et al., 2000).

Any number of coherent and synergistic sets of HR practices is possible in a firm (Becker & Gerhart, 1996). What is important about these practices is that various combinations support different kinds of strategies (e.g., commitment or flexibility; cf. Kulkarni & Ramamoorthy, 2005). The same is true for the ways in which leaders influence employees. What matters is that appropriate ways of managing people depend upon the firm's (and its business units') strategy and the category of employee involved. Lepak and Snell (1999, 2002) identify four sets of ways to engage employees, each suited to a different HR strategy:

1. Knowledge-based employment involving workers of high strategic value. Such arrangements tend to be open-ended and relational.
2. Job-based employment, focused on staffing rather than development. Here, workers with strategically valuable but transferable skills are hired from the labor market with little further skill development, creating an open-ended but economically focused employment arrangement.
3. Contracting, where workers remain external to the firm and have limited economic and often fixed-term employment arrangements.
4. Alliances, where external workers contribute to joint value creation projects, which can generate highly relational arrangements.

Lepak and Snell's HR architecture is based on two modes of employment (internal and external) and two types of terms (relational and economic). We use this architecture to specify the role of leadership in creating strategically appropriate psychological contracts. Thus, rather than "one size fits all," firms may require multiple strategies across business units or employee categories (Kulkarni & Ramamoorthy, 2005; Subramony, 2009; Wright, Dunford, & Snell, 2001).

We next develop the micro perspective on SHRM by considering findings that indicate it is not HR practices alone that influence employee responses, but also how they are implemented (Wright & Nishii, 2007).

The Bottom-Up View: Managerial Implementation Advantage

HR systems alone won't lead to better performance. How HR practices are implemented influences employees' reactions (e.g., Guest, 2011; Paauwe, 2009; Purcell & Hutchinson, 2007). Reflecting this, Becker and Huselid (2006, p. 903) argue that implementation is "the key mediating variable between the HR architecture and firm performance." This gives rise to the question: Who implements HR strategy? A growing body of evidence indicates that it is daily interactions with managers, and particularly first-line managers, that get the strategic message across to employees, in effect "bringing HR policies

to life" (Purcell & Hutchinson, 2007, p. 17). Most firms display some slippage in implementing HR strategy. However, inadequate policies can often be "rescued" by good management behavior in much the same way as "good" HR practices can be negated by poor manager behavior or weak leadership (Purcell & Hutchinson, 2007, p. 4). HR systems and line managers' leadership styles each have the potential to influence employee behaviors and attitudes, through their impact on ability, motivation, and opportunity for employees to perform. In the case of Bill, the call center manager described in our opening paragraph, employees with basic abilities are required. As such, Bill's attention is focused on translating those capabilities into consistent service behavior by structuring the work (opportunity) and retaining those people who perform consistently (motivation). In the case of Violet, high ability is much more critical to her knowledge-oriented firm's HR strategy. Violet's support of her staff's identification with the organization and ongoing planning for personal growth helps implement the company's career development system (ability and motivation). The call center and chemical company require different employee contributions, leading to different HR practices, to which good leaders must adjust.

The Neglected Role of Line Managers and Leadership

Leadership, the way the firm's agents influence the behavior of its members, is a relatively invisible and often-neglected facet of a firm's HR system. In the day to day, leaders can directly convey what efforts are needed on the part of employees and what they can expect in return. Leadership is known to impact business strategy implementation, long-term firm performance, and financial success (Koene, Vogelaar, & Soeters, 2002; O'Regan & Ghobadian, 2004). By virtue of what managers pay attention to, measure, and control, they exert huge sway over how employees direct their efforts, how well they perform, and the goals they pursue at work. The concept of leadership style helps identify

the kinds of leader actions best aligned with strategy.

Leadership styles refer to patterns of actions that influential people use to shape how others behave. Organizational research calls attention to two essential leadership styles among managers (Avolio & Bass, 1988; Judge & Piccolo, 2004): transactional and transformational. The transactional style is a set of leader behaviors that give structure to the work and job requirements employees need to accomplish. Its function is to develop, clarify, and support appropriate work methods and results. As a result, leaders behaving transactionally (1) set specific, measurable goals; (2) use mechanisms such as direction and task structuring to clarify appropriate employee behavior and make it easier to demonstrate consistently; (3) coordinate the work individuals do; and (4) monitor their accomplishments and deliverables. This style derives its efficacy from using the manager's power to reward or sanction employees. Using an array of rewards, from praise to pay to increase desired employee behaviors, transactional leadership works with the existing job requirements to create incentives tied to job goals or to apply corrective action to substandard efforts (Bass, 1985).

Used in the right circumstances, the transactional leadership style supports satisfactory job performance along with compliance with legal, safety, and workplace requirements. This style works best when the job requirements are clearly understood and can be laid out in advance. Examples include the case of day-workers hired to clear out a warehouse or Jet Blue's reliance on customer representatives working from home (Box & Saxton, 2004). It is often the style of choice where work is done at a distance (Howell, Neufeld, & Avolio, 2005) or otherwise involves limited interpersonal interactions between the employee

*HR systems and
line managers'
leadership styles
each have the
potential to
influence employee
behaviors and
attitudes, through
their impact on
ability, motivation,
and opportunity
for employees to
perform.*

and manager. The latter is often the case where large status differences exist between managers and employees, such as the case of temp workers and the client organization. On the other hand, a transactional style can be dysfunctional if employees need to make decisions on their own or must coordinate with others in order to figure out how best to do their job.

A transformational leadership style, in contrast, works by inspiring people. It appeals to deeper personal motives and links job performance to the higher-order values workers care about, including identity, public service, or transcendent goals.

When a leader behaves in a transformational fashion, he or she elevates what workers aspire to in doing their jobs. A scientist in a laboratory may respond to such a leader by identifying with the firm's mission to find a cure for disease. Transformational leader behaviors place personal values at the center of work motivation. They reinforce common goals and mutual identification. Performance-enhancing effects, including the accomplishment of innovative and high-achievement goals, derive from transformational leadership's four dimensions: charisma, inspirational motivation, intellectual stimulation, and personal concern (Bass, 1985). Charisma emerges from the compelling vision transformational leadership offers for the future, mobilizing support for the high aspirations a vision entails. Inspirational motivation arises from the increase in optimism and enthusiasm this style creates. Intellectual stimulation stems from encouraging people to question old assumptions and to view problems in innovative ways. Finally, personal concern reflects the attention leaders with this style offer individuals, in the form of coaching, encouragement, and support.

Transformational leadership works for influencing competent employees capable of a fair degree of self-management. It

is particularly needed when performance demands involve creativity, broad job duties, and adaptability to changing circumstances. This style has greater impact on individual and organizational performance when leaders and employees are co-located. Indeed, employees may respond with frustration to frequent absence on the part of a transformational leader (Levesque, Rousseau, & Ho, 2008). Physical distance between leaders and employees makes transformational leadership more difficult to exercise since its vivid and emotional cues tend to be filtered out by information technology. Moreover, this style's characteristic coaching and interpersonal support may be difficult to accomplish at a distance (Howell et al., 2005).

Transformational and transactional leadership styles are not mutually exclusive. Leaders may need to display elements of both, and at times they can be complementary (Bass, 1985), as demonstrated in this classic quote from Jack Welch:

Get into the skin of every person so they know that their ideas count. Celebrate small successes. Evaluate the people down to the lowest units, so they know that their achievements are constantly being measured and that they count. It's critical that people know their contributions matter. It's critical that they know what they do will be seen and rewarded. (cited in Collingwood & Coutu, 2002, p. 90)

These leadership behaviors have direct effects on workers (Chun, Yammarino, Dionne, Sosik, & Moon, 2009; Walumbwa & Lawler, 2003). Judge and Piccolo's (2004) meta-analysis of transactional and transformational leadership assessed their effects on employees' satisfaction with leaders, job satisfaction, motivation, and group and firm performance. Transformational leadership, closely followed by contingent-reward (an element of transactional leadership), had consistent positive effects on these outcomes. The emphasis on corrective action (another element of transactional leadership), in contrast, had a negative effect. Importantly,

transformational leadership had its strongest effects on outcomes reflecting attitudes and motivation. Its effects on performance were significant but weaker, suggesting that followers derive satisfaction from managers who display transformational leadership but their performance may not always greatly improve. What remains unclear in this meta-analysis is the strategic fit of these styles as applied in the individual studies it reviewed. Few if any leadership studies pay attention to the prevailing HR strategies used in the organizations investigated. They also tend to ignore the employment status of the workers the leader manages.

Before we turn to address how managers' leadership styles influence psychological contracts, we note two key findings from HR research on the strategy-leadership-performance connection. First, transformational leadership leads to positive employee attitudes and constructive workplace behavior. It promotes individual and firm performance (Howell et al., 2005; Tosi, Misangyi, Fanelli, Waldman, & Yammarino, 2004; Waldman, Javidan, & Varella, 2004). With the exception of contingent rewards, the effects of transactional leadership are less consistent and more situation-dependent, with negative effects in some circumstances and positive effects in others (Judge & Piccolo, 2004). In the right circumstances, where specific direction and structure are required, transactional leadership has substantial impact on employee performance. Second, leaders can display both styles, using one to communicate overall vision and imbue work with meaning and the other to provide coordination, direction, and structure for individuals or groups of employees requiring it.

Consequently, a more comprehensive analysis of the interplay between leadership styles and HR strategies is needed. In this article we recognize that just as certain HR practices might be suited to a given employee group or business strategy, leadership styles, too, need to be appropriately aligned. The real issue is the degree to which leadership styles are congruent with SHRM practices and lend support to strategically appropriate psychological contracts.

Linking HR Practices to Individual Performance: The Role of the Psychological Contract

The psychological contract refers to an individual's (e.g., employee's) beliefs regarding mutual obligations between that person and another (Rousseau & Tijoriwala, 1998)—in this context, the employer. These obligations take many forms, from loyalty and job security to no commitments whatsoever. Two core types of obligations are prevalent (Rousseau, 1990; Zhao, Wayne, Glibkowski, & Bravo, 2007): economic or monetary psychological contract terms and relational or socio-emotional ones.

Economic or monetary obligations are perhaps the most common. (Note these are sometimes referred to as transactional obligations in the psychological contract literature. We eschew that term here to avoid confusion with the leadership style of the same name.) These *monetary* obligations involve compensation for specific forms of labor, as expressed by "a fair day's work for a fair day's pay." Where money is the dominant concern, psychological contracts tend to be explicit in their terms. Obligations between workers and employers are relatively few and far between where predominantly monetary contracts are concerned. Their duration tends to be short-term, with few if any commitments made regarding the future on the part of either worker or firm.

Relational obligations involve socio-emotional resources such as mutual support and concern between the employer and employee (Rousseau, 1990). Social and interpersonal concerns dominate in arrangements generating high-commitment employment. Psychological contracts that are largely relational are broader in the terms they involve, include many forms of employer rewards and individual contributions, and often cover a longer time frame. Such relational agreements also tend to include employee

Just as certain HR practices might be suited to a given employee group or business strategy, leadership styles, too, need to be appropriately aligned.

development and future growth opportunities (e.g., Bal, Jansen, van der Velde, de Lange, & Rousseau, 2010; Coyle-Shapiro & Kessler, 2000) in anticipation of value-adding contributions to the employer over time or employability on the external job market. In fact, employment arrangements can combine economic and relational terms, including pay, pension, and retirement benefits on the one hand and future growth opportunities on the other. Thus, the psychological contracts employers create with their employees can mix monetary and relational features in myriad ways (Rousseau, 1995).

How HR Practices Influence Psychological Contracts

The psychological contract constitutes what employees understand to be the firm's commitments to them and what they owe in return (Rousseau, 1990). These understandings arise both due to explicit promises from HR and managers (Tomprou & Nicolaou, 2010), as well as from the beliefs employees acquire by talking with coworkers (Sapienza, Korsgaard, & Schweiger, 1997). Explicit obligations are conveyed by HR practices as exemplified by formal training, talent management, or succession programs where company representatives refer to future opportunities and programs for within firm promotion. The same is true for written commitments as expressed in contract letters and personnel manuals.

Implicit obligations result from the ways employees interpret and observe the firm's informal practices and signals (i.e., leader actions, organizational norms, and stories making heroes of high performers).

HR practices can convey the employer's future intentions, as is the case of investing in training, which suggest future opportunities to apply what is learned. Given the prevailing notion of reciprocity in all human society, such signals impact how employees feel about and behave toward

the organization, through the psychological contracts they create (Rousseau, 1995). Such beliefs and behaviors yield higher individual performance, which a properly managed firm can turn into higher firm performance (Nishii, Lepak, & Schneider, 2008; Purcell & Hutchinson, 2007). Leadership functions the same way—by creating obligations, promising rewards for certain contributions, and fulfilling these commitments by giving appropriate recognition and support (Yukl, O'Donnell, & Taber, 2009). A visionary style that promotes identity with the firm broadens the scope of rewards experienced by employees, as the firm's success can feel like their own. On the other hand, a leader who is expressive in a purportedly visionary way in an otherwise arm's-length work situation such as the call center described earlier can come off as disingenuous.

Psychological contract research focuses largely on the contract's fulfillment, breach, or violation (De Cuyper & De Witte, 2006; Dulac et al., 2008; Sutton & Griffin, 2004). These factors significantly impact an array of employee attitudes and behaviors, from job satisfaction, organizational commitment, and turnover intentions to actual turnover and performance (Rousseau, Lee, Dabos, Hui, & Wang, 2011). As already evidenced, these outcomes closely correspond to those found to be associated with HR practices and leadership styles. Not surprisingly, their interplay affects both the content and the fulfillment of employees' psychological contracts, with a resulting impact on employee outcomes.

How Line Managers Influence Psychological Contracts

Employees commonly think that their immediate manager speaks on the firm's behalf. In many firms that manager is the person most responsible for the employee's psychological contract (Rousseau, 1995; Tomprou & Nicolaou, 2010). As their firm's representatives, managers' statements and actions prompt employee beliefs regarding their terms of employment (Wanous, 1992). This conveyance of contract terms occurs at all stages of

employment and in the administration of various HR practices, from recruitment and selection to performance management, termination, or retirement. Concomitantly, line managers can make their own promises, which employees will attribute not only to the manager but also to the firm (Rousseau, 1995). The manager who tells a recruit about the importance of having the right qualifications to advance in the company conveys the message that greater influence and opportunity are likely to be afforded to employees who attain further education. Similarly, a manager who is receptive to employee requests for flexibility, but only when that person is a high performer, sends a signal about what the organization rewards and values.

Managers are also sense givers. They cue employees to the meaning of organizational policies and practices, including when and to whom they can be applied (Maitlis, 2005). Managers also introduce new terms and innovations into the firm's arrangements with employees, by adapting existing HR practices and policies—for example, by granting a high performer an “educational leave” in order to let them take a year off for personal pursuits (Hochschild, 1997; Rousseau, 2005). As such, managers play multiple roles in psychological contracting—as communicators, sense givers, authorizers, and innovators.

If managers are important to what the employee's psychological contract becomes, they are even more critical to whether it is kept or broken. Guest and Conway (2002) have shown that employees can attribute failure to fulfill their psychological contracts to senior managers, line managers, departments (e.g., HR), or to the firm in general. Typically, it is the immediate manager who gets at least some of the blame (Rousseau, 1995), consistent with our thesis of the centrality of line managers to implementing HR strategy. Line managers are the employees' regular point of contact with the firm and are responsible for an increasing number of HR responsibilities (Hales, 2005). Line managers conduct performance appraisals, identify and negotiate training and development opportunities, and

are often involved in discussions leading to promotion or downsizing decisions. In this regard, they are on the “firing line” when unfavorable decisions are made, particularly if they are seen as reneging on prior promises. Thus, employees often implicate their immediate manager in incidents of contract violation, one reason perhaps for the greater willingness of managers to make allowances or afford special flexibility to compensate for unfair past treatment (Hornung et al., 2009). Leader behavior and enactment of HR practices must be accounted for in order to understand and promote SHRM (Purcell & Hutchinson, 2007).

Bridging the Gap Between HR Practices and Performance

A firm's intended HR practices emerge from the HR strategy making-process (Wright & Nishii, 2007). However, the actual HR practices implemented by line managers can differ from those intended. How HR practices get implemented is affected by the line manager's HR-related skills—for example, how well they give feedback on performance or are familiar with employee development needs. HR implementation is also affected by the manager's own motives in undertaking such activities, pressures on their time, and their age and experience (Dany, Guedri, & Hatt, 2008; Oshagbemi, 2008). Lastly, HR implementation is affected by the manager's leadership styles and behavior. For Wright and Nishii (2007), it is the actual HR practices implemented by line managers that influence employee perceptions, reactions, and performance.

In Figure 1 we build on the work of Wright and Nishii (2007) to draw attention to the role of leadership and the psychological contract in filling the gap between HR strategy and performance. We note their distinction between intended, implemented, and experienced HR practices, which affect

*As their firm's
representatives,
managers'
statements and
actions prompt
employee beliefs
regarding
their terms of
employment.*

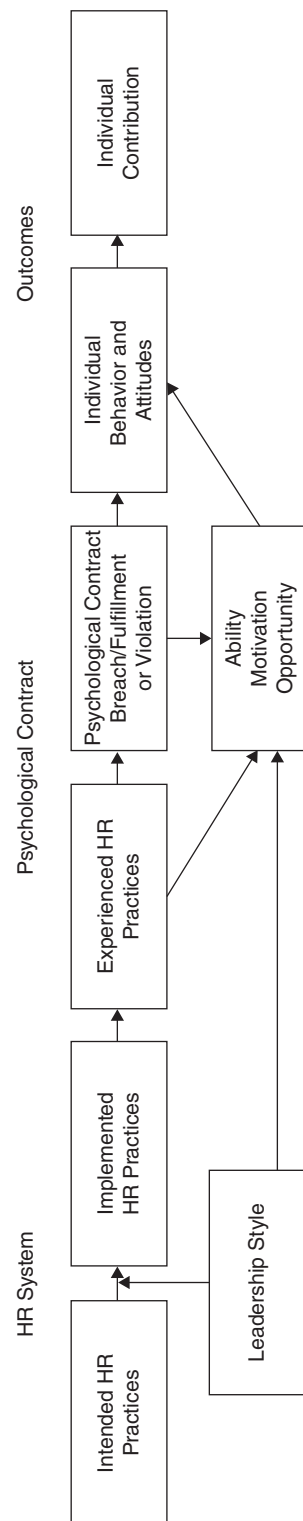


FIGURE 1. Linking HR Practices to Individual Performance: The Psychological Contract Model

perceived psychological contract fulfillment or breach and which may in turn lead to perceived violation. In addition we argue that the AMO framework represents a further mechanism linking HR practices and leadership styles to individual performance. For example, line managers influence employees' abilities (A) by carrying out performance appraisals to address skill gaps and giving employees access to training and other development opportunities. Line managers also influence employees' motivation (M) by how they allocate rewards, give feedback, and communicate prospects for future promotion opportunities. Finally, line managers influence opportunities to perform (O), by determining the structure and scope of job roles, by how they provide opportunities for involvement, and by communicating the kinds of performance valued by the firm. Together these AMO features are mutually reinforcing. However, based on our earlier review of leadership styles, we expect that line managers with a transactional leadership style are more likely to emphasize the use of job-specific abilities; motivation through contingent reward; and consistency in performance through codified employee behaviors and limited opportunities for involvement. In contrast, line managers with a transformational leadership style are likely to emphasize the development of both organization-specific and transferrable skills; motivate through personal concern and appeals to higher motives; and provide employees with opportunities to use their professional judgment and become involved. In this fashion, line managers' leadership behavior can directly or indirectly (through the implementation of HR practices) affect employees' perceived fulfillment, breach, or violation of the psychological contract.

Employees' reactions to the experience of fulfillment, breach, or violation will in turn influence their levels of ability, motivation, and opportunities to perform, which in turn will influence their behavior. The influence on individual performance will vary, depending on whether perceptions about the psychological contract are positive (fulfillment) or negative (breach or violation).

For example, fulfillment might give rise to increased ability, motivation, and opportunities to perform, which in turn might give rise to higher commitment and discretionary behaviors. Thus, the impact on performance should be positive. On the other hand, breach or violation decreases motivation and employee attention to opportunities to perform and increases psychological and behavioral withdrawal. The psychological contract represents a key mechanism for understanding the process through which HR practices and leadership styles can foster employees' ability, motivation, and opportunity to perform (Guest, 2007; Rousseau, 1995). As Boselie et al. (2005, p. 77) suggest, the "signaling" effects of SHRM (and leadership) forge a psychological contract between the employer and employees that shapes perceptions and experiences (cf. Ostroff & Bowen, 2000; Wright & Boswell, 2002). Thus, the implementation of HR practices by line managers will serve to influence employees' perceptions that frame (and perhaps reframe) the psychological contract.

Selecting a Strategically Appropriate Psychological Contract: The HR and Leadership Architecture

Through the HR system and line managers' leadership styles, organizations signal how rewards are allocated, the level of performance expected, and the time frame over which the exchange of rewards and performance is likely to occur. These signals are central to how employees think about their exchange with their employer—that is, the psychological contract. The closer these signals are aligned, the more consistent are the messages on which employees' psychological contracts are based. Consistency increases the likelihood that employees will fulfill their

We expect that line managers with a transactional leadership style are more likely to emphasize the use of job-specific abilities; motivation through contingent reward; and consistency in performance through codified employee behaviors and limited opportunities for involvement.

commitments and perceive their employer as doing so in return (Rousseau et al., 2011).

Table I details the interplay between leadership style (transactional and transformational, underpinned by generic and firm-specific skills respectively) and HR practices (flexibility and commitment, underpinned by decisions regarding externalization and internalization, respectively; cf. Kulkarni & Ramamoorthy, 2005). Drawing on a body of research spanning 20 years (Lepak & Snell, 1999, 2002; Rousseau, 1990, 1995), we focus our attention on the following HR dimensions that shape employees' ability, motivation, and opportunity to perform, and that underpin employee psychological contracts: job security, employment duration, rewards

<i>Consistency increases the likelihood that employees will fulfill their commitments and perceive their employer as doing so in return.</i>	and performance management (influencing ability); career and skill development (influencing motivation); job design and autonomy, and employee involvement (influencing opportunity to perform). These HR practices, together with line managers' leadership styles, contribute to the development of four types of psychological contract obligations: relational bond, dynamic, monetary, and external partnership (Figure 2). The characteristics of employee groups, their strategically appropriate psychological contracts, and the associated tailored HR configurations and leadership styles are described in the sections that follow.

Quadrant 1: The Relational Bond Psychological Contract (Transformational-Commitment Orientation)

The relational bond psychological contract goes hand in hand with transformational leadership and commitment-oriented HR systems. This employment arrangement applies where employees provide high value-added contributions (i.e., strategically valuable work using firm-specific skills). The HR strategy emphasizes workforce stability through employee retention and the development of firm-specific skills (or “knowledge-based

employment”; Lepak & Snell, 1999). Attrition tends to arise early in a worker's tenure due to lack of fit, with the firm and its employees anticipating open-ended, long-term retention. Promotion from within fosters leaders and members with culturally consistent behaviors and expectations of future opportunities and upward movement. Rewards emphasize internal equity and organization-wide incentives. Leadership is transformational and drives ability (A), motivation (M), and opportunities to perform (O) in several ways. For example, it focuses on nurturing the development and retention of those skills that are most valued by the firm (A). Results are achieved through the development of high-quality relationships and the encouragement of behaviors linked to organizational identification and commitment to the organization and its values (M). Knowledge-oriented employees are afforded high autonomy and significant opportunities for involvement and participation (O). Leaders therefore focus on encouraging, motivating, and coaching individuals to achieve required performance levels. This pattern is appropriate for employee groups where firm-specific skills are the source of sustainable competitive advantage (e.g., PPG Industries, typical research and development units).

Quadrant 2: The Dynamic Psychological Contract (Transactional-Commitment Orientation)

A dynamic psychological contract is supported by a transactional leadership style and a commitment-oriented HR system, promoting medium-term employment and commitment to workers based on the firm's near-term needs. According to Lepak and Snell (1999), such psychological contracts are appropriate for strategically valuable employees, whose skills are readily obtainable on the labor market. Such employees have job-based employment, providing an incentive to acquire role-related skills, particularly where the job is likely to be valued by the firm or other firms in future. Sustained job security is premised on the continued value of the employees' skills. This orientation is appropriate for many of the

TABLE I HR System/Leadership Configurations and Psychological Contract Type				
Leadership Style and HR Orientation	(Q1) Transformational-Commitment	(Q2) Transactional-Commitment	(Q3) Transactional-Flexibility	(Q4) Transformational-Flexibility
Psychological Contract	Relational Bond	Dynamic	Monetary	External Partnership
Leadership Focus	Transformational leadership, encouraging, motivating, and coaching toward results through quality relationships, vision, and commitment	Transactional leadership focused on structuring tasks and/or rewarding consistent outcomes	Transactional leadership, output focused with sanctions for poor performance	Transformational leadership, clarifying vision and empowering and encouraging toward outcomes
HR Strategy	Commitment, workforce stability	Medium-term employment with skill-based commitment	At-will flexibility, in response to market demands	Flexibility serves company need
Skills Development	Organization investment in firm-specific skills	Necessary firm-specific skills; employee predominantly responsible for own development	Organization buys skills externally, little development	Organization investment in firm-specific and some marketable skills
Compensation	Internal promotion with role-based equity and long-term collective incentives	Market-based pay plus short-term incentives	Market-based plus short-term incentives	Internal equity plus performance incentives
Performance Evaluation	Behavior-focused appraisals	Dynamic evaluation based on consistent results/behavior	Explicit obligations, compliance orientation	Project-based
Career Development	Vertical advancement	Performance and skill-based, broad, horizontal careers	Limited	Need-based opportunities for reassignment
Job Design and Autonomy	Broad job design, high autonomy	Structured work processes, significant performance monitoring	Narrow job design, low autonomy	Idiosyncratic, project-focused job design
Employee Participation and Involvement	High participation and involvement	Limited participation, involvement regarding job-related concerns	Little participation and involvement	Participation and involvement based on expert knowledge

Transformational-Flexibility Orientation	Quadrant 4: The External Partnership Psychological Contract (Transformational-Flexibility Orientation) Employee characteristics: Low value, high uniqueness Employment mode: Alliance HR strategy: Skill-based flexibility HR system and practices: Exceptional, premised on collaboration Leadership orientation: Transformational, focused on vision, empowerment, and achievement of goals Exemplar workforce group: Management consultants	Quadrant 1: The Relational Bond Psychological Contract (Transformational-Commitment Orientation) Employee characteristics: High value, high uniqueness Employment mode: Knowledge-based HR strategy: Workforce stability HR system and practices: Commitment-based Leadership orientation: Transformational, focused on motivation and commitment Exemplar workforce group: Research and development employees
	Quadrant 3: The Monetary Psychological Contract (Transactional-Flexibility Orientation) Employee characteristics: Low value, low uniqueness Employment mode: Contractual work arrangements HR strategy: At-will flexibility HR system and practices: Compliance-based Leadership orientation: Transactional, focused on compliance and sanctions for poor performance Exemplar workforce group: Fast-food employees	Quadrant 2: The Dynamic Psychological Contract (Transactional-Commitment Orientation) Employee characteristics: High value, substitutable Employment mode: Job-based HR strategy: Job-based commitment HR system and practices: Productivity-based Leadership orientation: Transactional, using structured work processes or outcome monitoring Exemplar workforce group: Software engineering
Leadership style		
Transactional	Flexibility (externalization)	Commitment (internalization)
	HR system orientation	

FIGURE 2. Selecting a Strategically Appropriate Psychological Contract: The HR and Leadership Architecture

newer and more established professions, such as software, telecommunications, accounting, engineering, and law, which engage in valuable but relatively standardized job roles.

Such HR systems emphasize skill-based commitment, and the organization's obligations include short- to medium-term assignments; market-based pay, performance, and productivity-based incentives (e.g., billable hours, quality); the possibility of continued employment as long as demand for skills remains, although no guarantee of job security; and investment in necessary firm-specific skills if the firm can quickly appropriate value (e.g., use of proprietary software). Employees may have opportunities for horizontal career movements and broad career paths if they possess or can readily acquire appropriate skills. Participation and involvement is limited to the occupation or job sphere. Transactional leadership is results- and behavior-focused, with emphasis on both structuring work processes and ongoing monitoring of performance to achieve results. Leaders enhance ability by maximizing the match between employees' skills and the requirements for effective job performance (A). As a result, career development is skills-based. Leaders influence employee motivation by providing clear direction and promoting consistent employee behavior that will lead to performance and concomitant rewards (M). Finally, they influence opportunities to perform by seeking participation and involvement when necessary for effective performance (O). The psychological contract thus involves mutual commitments, immediate rewards, and continued employment predicated on the ongoing value of the employees' skills to the organization. Intel manifests many features of this approach, including an explicit results orientation supported by above-market-average variable pay. It invests in employees with the potential to contribute to its longer-term growth, at the same time proactively eliminating workers who no longer add strategic value. This dynamic psychological contract supports short-term results, with continuing employment for those whose skills match changing demands.

Quadrant 3: The Monetary Psychological Contract (Transactional-Flexibility Orientation)

The monetary psychological contract is supported by a transactional leadership orientation and a HR system that promotes flexibility through the freedom to hire and fire at will. According to Lepak and Snell (1999), such relationships are appropriate for employees whose skills have low strategic value and are easily acquired through the labor market. In such contexts, the HR system's goal is efficiency in responding to changing market demands. HR systems in these organizations pursue flexibility, buying worker skills with little investment in training and considerable reliance on part-time and contract labor. The HR strategy uses high levels of workplace structuring, such as scripts for call center workers or detailed workflows for fast food service, and sets or rules for retail sales personnel. Workforce arrangements tend to be short-term, with little advancement or security. Organizational obligations are limited to economic terms (specific duties performed today for wages or piece rate), based on an explicit set of employment conditions detailing required outputs, job duties, and task requirements. Performance management focuses on employee compliance with these conditions. Jobs are narrowly defined, with limited scope for autonomy or influence. Investments in relationship building are limited (Yukl, 2008). Leadership in these organizations focuses on sanctions for poor performance, in keeping with the focus on managing exceptions among transactional leaders. From an AMO perspective, the leader has little influence on employees' ability, since skills are readily bought from the labor market (A). However, they encourage employees to comply with the requirements of the job by emphasizing future job security and other sanctions for poor performance (M). Through close monitoring of performance, and limiting scope for autonomy, they seek to standardize procedures in order to minimize deviations from required standards of performance (O).

This monetary focus downplays relational ties. It accepts higher-than-average rates of turnover and absenteeism as in the case of McDonald's restaurant workers and Walmart's non-management employees. At Walmart, a basic pay package is offered that is below market average, with an option for medical coverage. Training and development is limited for non-management workers. (Note that certain organizations, such as Costco, operate in a similar environmental niche but with a more relational and transformational approach to its workforce, in effect capitalizing on their differentiated HR system and resultant high-quality customer interactions.) Although some may

Implemented appropriately, a well-specified and easily monitored monetary contract can create positive employee outcomes.

argue that monetary psychological contracts are unlikely to promote worker satisfaction, the evidence indicates otherwise. Implemented appropriately, a well-specified and easily monitored monetary contract can create positive employee outcomes. First, transactional leadership and contingent rewards motivate satisfactory employee performance in well-structured work settings, as in an effectively managed call center (Vecchio, Justin, & Pearce, 2008). Cost-effective incentives such as productivity or retention bonuses can foster job satisfaction and higher contributions in such settings reflecting effective use of transactional leadership's contingent rewards under conditions where workers feel fairly treated. Second, the psychological contract is based on relatively explicit obligations that are readily conveyed, performed, and monitored by both parties.

Quadrant 4: The External Partnership Psychological Contract (Transformational-Flexibility Orientation)

The external partnership psychological contract is supported by a transformational leadership style and a flexible HR orientation. Lepak and Snell (1999) describe this as a human capital alliance model, suitable for

workers who have unique skills that do not provide the firm with sufficient value to merit internal retention. Although the firm cannot justify full-time regular employment to these workers, they provide repeat services over time. Contract IT, consulting services, and support on intermittent needs such as expatriate compensation and tax planning frequently fall into this category. Over time, these contractors can provide customized services to the firm underpinned by trusting relationships (Pearce, 2004). Crucially, such employees require knowledge sharing from the employing organization to jointly produce products/services (a factor that differentiates them from employees in Quadrant 3; cf. Lepak & Snell, 2002). For some organizations, low availability of these employees' skills may mean that there is an incentive to develop them internally (Lepak & Snell, 1999, 2002). Otherwise, term-based employment relationships may be appropriate, particularly for knowledge or professional service employees, whose work is oriented around project-based assignments (e.g., architects, management consultants). The HR system should support project- or term-based employment relationships of various durations depending on the life of the project, as well as future opportunities. This entails shifting obligations over time as firm and worker negotiate reassignment opportunities. Workers, whether they are contractors or employees, may recontract with the firm over time as needed. This orientation often characterizes technology service workers, such as online service providers. The HR system typically attends to developing skills useful in the present firm and with future employers; career mobility (often horizontal to new lines of business) within the firm to meet both its needs and the employees' desire for growth; and incentives and rewards largely based on performance targets. Although the combination of a transformational leadership style with a flexible HR orientation might appear a contradiction, leadership in this context is tasked with encouraging the development of flexible skills based on need (A) and promoting vision and focusing attention on achievement of desired outcomes

(results and deadlines) (M), while empowering knowledge workers with control over the work process and encouraging their progress (O). This requires a trusting relationship underpinned by employee participation and involvement regarding job-related concerns to support employee creativity, autonomy, and responsibility. Together these factors promote good information sharing, the performance of complex organization-specific work and effective need-based talent recruitment, retention, or recontracting.

Implications

Our framework challenges certain conventions in contemporary thinking regarding management practice. First, transactional styles are not an inferior method of motivating workers relative to the transformational, visionary leader. Rather the value of any leadership style depends on whether it signals and maintains appropriate psychological contracts. As Latham (2010) points out, there is considerable motivational value in a leader who can structure a clear contract with hourly employees, where specific duties must be accomplished and employees have limited training and prior experience. Second, the complicated nature of employment relationships maintained by even a single firm can require its managers to develop ambidextrous leadership styles. Ambidexterity helps in managing workers with different psychological contracts. It also supports the HR strategy of a work unit that needs to inspire innovation (risk taking and creativity) and do so quickly (short-term deliverables). Lastly, since the impact of leadership styles depends on fit with the HR strategy appropriate for a segment of the firm's workforce, sophisticated managers take situational factors into account in exercising their leadership. Cultivating close employee relationships may be a prerequisite for the exercise of transformational leadership (Howell et al., 2005). A large span of control and geographically distributed employees may impede transformational behaviors on the part of managers, necessitating both a different style and implementation of more suitable (less management-dependent) HR practices.

The "fit" between HR systems and leadership styles matters. It is critical to effective implementation of HR strategy and appropriate psychological contracts. As a result, HR professionals need to help managers communicate in ways that reinforce the HR system. At the same time, HR practices need to be developed in line with the support firm leaders are able or prepared to provide. HR needs to help develop a clear understanding of the required signals to convey to employees. This could entail actually scripting the key points managers need to address and providing guidance in how managers might adapt practices to their local workforce and its circumstances.

Where a manager persists with a style of leadership out of sync with the firm's HR strategy, their behavior risks undermining both strategy implementation and how well the psychological contract may be kept. Such misaligned leader conduct is particularly problematic when that manager leaves his or her position. Those employees who remain behind are likely to have psychological contract beliefs that the larger HR strategy does not support. For HR professionals, addressing suboptimal leadership, whether by a single individual or among a cohort of managers, requires clear knowledge of strategically appropriate leadership behavior and monitoring of the actual signals workers receive from their managers. For these reasons, firms such as Sysco and FedEx actively use supervisory climate assessments to monitor the direct effects supervisors have on employees (e.g., Cascio, 2011).

HR strategy requires attention to selection and development processes that support appropriate leader behavior. Special efforts to maintain alignment can be required under challenging circumstances, including (1) employment disruptions arising from strategic changes, such as rapid workforce

Since the impact of leadership styles depends on fit with the HR strategy appropriate for a segment of the firm's workforce, sophisticated managers take situational factors into account in exercising their leadership.

expansion or downsizing; (2) cultural differences in leadership orientations; and (3) the presence of a dominant senior executive or leader whose actions may limit displays of appropriate leadership by others.

Changes Disrupting Employment Arrangements

Changing business strategies can motivate organizations to adopt different HR orientations over time. In such contexts, within-firm variation in leadership styles can be adaptive. Styles more readily vary from manager to manager than HR practices vary in a firm.

This difference has implications for strategy implementation and change. Practices at Nucor Steel (e.g., high job security, teamwork, egalitarianism, and group incentives), Lincoln Electric Company (e.g., piecework incentives, job security, and horizontal career mobility), and Procter & Gamble (e.g., global talent management and brand management) have been in place for years, reflecting their ongoing institutionalization, despite leadership changes. However, shifts in strategy can initially be enabled by more readily generated changes in leadership. In contexts of strategic shift, leadership can be utilized to initiate changes in employees' behavior in a more timely manner than adapting HR practices can be.

Revising HR practices that may be especially valued by current employees can lead to disruptions in the psychological contract. Practice changes need to be carefully managed to keep the disappointments breach creates from turning into violation, with its associated outrage and adverse behaviors (Rousseau, 1995). Changing strategies, for example, can displace some employees if the firm needs to acquire new competencies quickly. HR professionals need to support managers in addressing the needs and well-being of employees impacted by transitions. To protect the employer's capacity to

make credible psychological contracts in the future, attention to victims of transition signals good faith and trustworthiness on the part of the firm's management.

Cultural Differences in Leadership Orientations

Effective implementation of HR in global firms requires attention to cultural differences in management styles and their impact. For example, transformational leadership has been found to lead to more favorable outcomes than transactional approaches in collectivist societies (House, Hanges, Javidan, Dorfman, & Gupta, 2004). This suggests that transactional leadership can require culture-specific adjustments to be effective, possibly by emphasizing group-oriented rewards and interests in collectivist societies. On the other hand, cross-cultural studies have paid little attention to the nature of the firm's business or HR strategy, and thus future research needs to assess whether apparent cultural differences hold when strategic issues are factored in.

Strong Senior Organizational Leaders

Although the role of the immediate manager is at the heart of psychological contracts generally, strong senior executives like Michael O'Leary (Ryanair), Steve Jobs (Apple), and Herb Kelleher (Southwest Airlines) set the broader organizational and HR context within which line managers engage with employees. Their leadership orientation may cascade down the hierarchy, shaping managerial behaviors firmwide (Yukl, 2008). Such patterns may be useful in firms where there is an integrative business strategy but problematic if differentiated psychological contracts with employee groups are called for. Future research needs to consider the implications of mismatches between senior and line managers' leadership styles—and how associated tensions can be reconciled in implementing strategic HR. In addition, our recognition of the critical role leadership plays in translating HR strategy into employee psychological contracts offers scholars an opportunity to

*Practice changes
need to be carefully
managed to keep
the disappointments
breach creates from
turning into violation,
with its associated
outrage and adverse
behaviors.*

investigate additional leadership behaviors that contribute to employee and firm performance beyond those represented by the constructs of transactional and transformational leadership.

Conclusions

Leadership is essential to effectively executing HR strategies and developing strategically appropriate psychological contracts. Getting the right message across requires managers to adapt their ways of relating to employees. Doing so is complicated when managing groups of employees with strategically differentiated psychological contracts. The need

for managers to be ambidextrous in their styles has received little attention by scholars and consultants. Effective strategic implementation and well-maintained, effective psychological contracts with the workforce depend on how well managers walk and talk the HR strategy to the specific employee groups they manage.

Acknowledgments

The authors wish to acknowledge the helpful advice of Nagarajan Ramamoorthy, University of Houston, Victoria, on an earlier version of this article. Any errors and omissions remain our own.

AOIFE M. MCDERMOTT is a lecturer in human resource management at Cardiff Business School in the United Kingdom. She holds a PhD from Trinity College Dublin, which she completed as a Trinity Scholar and a Government of Ireland Research Scholar. Her research interests concern the influence of people management, leadership, change agency, and context on service delivery and improvement. She has a particular interest in public-sector research contexts.

EDEL CONWAY (BSc., MSc., PhD) is director of the Leadership Innovation and Knowledge (LIInK) Research Centre at Dublin City University, Ireland. Her research and teaching spans both human resource management and organizational psychology and is focused on employee perspectives on work, including their reactions to high-commitment management and organizational change. She is particularly interested in these issues within knowledge-intensive and public-sector organizations. She is a former recipient of the European Young Psychologist Award. She previously worked for Citibank and on the "Leading Edge" HRM project at the London Business School.

DENISE M. ROUSSEAU is the H. J. Heinz II University Professor of Organizational Behavior and Public Policy at Carnegie Mellon's Heinz College and the Tepper School of Business. She was the 2004–2005 president of the Academy of Management and the 1998–2007 editor-in-chief of the *Journal of Organizational Behavior*. Rousseau received her AB, MA, and PhD from the University of California at Berkeley, with degrees in psychology and anthropology. A two-time winner of the Academy of Management's best book award, Rousseau's research and teaching focus on evidence-based management and positive practices in managing change and human resources.

PATRICK C. FLOOD is a professor of organizational behavior and head of the HRM and Organizational Psychology Group at Dublin City University. He received his PhD from the London School of Economics and is a former Fulbright scholar. He is an expert on leadership, change, and the impact of HRM on organizational performance. He is a visiting professor at North Eastern University, China, and also academic fellow at the Centre for International HRM in the Judge Business School at the University of Cambridge. His 14 books on leadership and change include *Persuasive Leadership: Lessons from the Arts* (Jossey-Bass, 2010) and *Leadership in Ireland* (Blackhall, 2010).

References

- Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. (2000). *Manufacturing advantage: Why high performance systems pay off*. Ithaca, NY: ILR Press.
- Avolio, B. J., & Bass, B. M. (1988). Transformational leadership, charisma, and beyond. In J. G. Hunt, B. R. Baliga, H. P. Dachler, & C. A. Schriesheim (Eds.), *Emerging leadership vistas* (pp. 29–49). Lexington, MA: Lexington Books.
- Bal, P. M., Jansen, P. G. W., van der Velde, M. E. G., de Lange, A. H., & Rousseau, D. M. (2010). The role of future time perspective in psychological contracts: A study among older workers. *Journal of Vocational Behavior*, 76, 474–486.
- Bass, B. M. (1985). *Leadership and performance beyond expectations*. New York, NY: Free Press.
- Becker, B. E., & Gerhart, B. (1996). The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal*, 39, 770–801.
- Becker, B. E., & Huselid, M. A. (2006). Strategic human resources management: Where do we go from here? *Journal of Management*, 32, 898–925.
- Boselie, P., Dietz, G., & Boon, C. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15(3), 67–92.
- Bowen, E. D., & Ostroff, C. (2004). Understanding HRM-firm performance linkages: The role of the 'strength' of the system. *Academy of Management Review*, 29, 203–221.
- Box, T., & Saxton, S. (2004). Jet Blue: A new challenger. *Journal of the International Academy for Case Studies*, 10(1), 69–74.
- Boxall, P., & Purcell, J. (2011). *Strategy and human resource management* (3rd ed.). Basingstoke, UK: Palgrave Macmillan.
- Cascio, W. (2011, April). Research that influences theory and practice. Paper presented at Society for Industrial and Organizational Psychology Meetings, Chicago.
- Chun, J. U., Yammarino, F. J., Dionne, S. D., Sosik, J. J., & Moon, H. K. (2009). Leadership across hierarchical levels: Multiple levels of management and multiple levels of analysis. *Leadership Quarterly*, 20, 689–707.
- Collingwood, H., & Coutu, D. L. (2002). Jack on Jack. *Harvard Business Review*, 80(2), 88–94.
- Coyle-Shapiro, J., & Kessler, I. (2000). Consequences of the psychological contract for the employment relationship: A large scale survey. *Journal of Management Studies*, 37, 903–930.
- Dabos, G., & Rousseau, D. M. (2004). Mutuality and reciprocity in the psychological contracts of employee and employer. *Journal of Applied Psychology*, 89, 52–72.
- Dany, F., Guedri, Z., & Hatt, F. (2008). New insights into the link between HRM integration and organizational performance: The moderating role of influence distribution between HRM specialists and line managers. *International Journal of Human Resource Management*, 19, 2095–2112.
- De Cuyper, N., & De Witte, H. (2006). The impact of job insecurity and contract type on attitudes, well-being and behavioral reports: A psychological contract perspective. *Journal of Occupational and Organizational Psychology*, 79, 395–409.
- Dulac, T., Coyle-Shapiro, J., Henderson, D. J., & Wayne, S. J. (2008). Not all responses to breach are the same: The interconnection of social exchange and psychological contract processes in organizations. *Academy of Management Journal*, 51, 1079–1096.
- Guest, D. (1997). Human resource management and performance: A review and research agenda. *International Journal of Human Resource Management*, 8, 263–276.
- Guest, D. (2007). Human resource management and the worker: Towards a new psychological contract? In P. Boxall, J. Purcell, & P. Wright (Eds.), *The Oxford handbook of human resource management* (pp. 128–146). Oxford, UK: Oxford University Press.
- Guest, D. (2011). Human resource management and performance: Still searching for some answers. *Human Resource Management Journal*, 21, 3–13.
- Guest, D., & Conway, N. (2002). *Organisational change and the psychological contract*. CIPD Survey Report. London, UK: Chartered Institute of Personnel and Development.
- Hales, C. (2005). Rooted in supervision, branching into management: Continuity and change in the role of first-line managers. *Journal of Management Studies*, 42, 471–507.
- Hochschild, A. R. (1997). *Time bind: When work becomes home and home becomes work*. New York, NY: Henry Holt.
- Hornung, S., Rousseau, D. M., & Glaser, J. (2009). Why supervisors make idiosyncratic deals. *Journal of Managerial Psychology*, 24, 538–564.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (2004). *Culture, leadership and organizations: The GLOBE study of 62 societies*. Thousand Oaks, CA: Sage.

- Howell, J. M., Neufeld, D. J., & Avolio, B. J. (2005). Examining the relationship of leadership and physical distance with business unit performance. *Leadership Quarterly*, 16, 273–285.
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity and corporate financial performance. *Academy of Management Journal*, 38, 635–672.
- Ichniowski, C., Shaw, K., & Prennushi, G. (1997). The effects of human resource management practices on productivity: A study of steel finishing lines. *American Economic Review*, 87, 291–313.
- Judge, T. A., & Piccolo, R. F. (2004). Transformational and transactional leadership: A meta-analytic test of their relative validity. *Journal of Applied Psychology*, 89, 755–768.
- Koene, B. A. S., Vogelaar, A. L. W., & Soeters, J. L. (2002). Leadership effects on organizational climate and financial performance: Local leadership effect in chain organizations. *Leadership Quarterly*, 13, 193–215.
- Kulkarni, S. P., & Ramamoorthy, N. (2005). Commitment, flexibility and the choice of employment contracts. *Human Relations*, 58, 741–761.
- Latham, G. (2010). *Becoming the evidence-based manager: How to put the science of management to work for you*. Palo Alto, CA: Consulting Psychologists Press.
- Legge, K. (2005). *Human resource management: Rhetorics and realities*. Hampshire, UK: Palgrave/Macmillan.
- Lepak, D. P., & Snell, S. A. (1999). The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 24, 31–48.
- Lepak, D. P., & Snell, S. A. (2002). Examining the human resource architecture: The relationships among human capital, employment, and human resource configurations. *Journal of Management*, 28, 517–543.
- Levesque, L. L., Rousseau, D. M., & Ho, V. T. (2008). Creative collaboration at Lintell Scientific. *The CASE Journal*, 5, 1–10.
- MacDuffie, J. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48, 197–221.
- Maitlis, S. (2005). The social processes of organizational sensemaking. *Academy of Management Journal*, 48, 21–49.
- Nishii, L. H., Lepak, D. P., & Schneider, B. (2008). Employee attributions of the ‘why’ of HR practices: Their effects on employee attitudes and behaviors, and customer satisfaction. *Personnel Psychology*, 61, 503–545.
- O’Regan, N., & Ghobadian, A. (2004). Leadership and strategy: Making it happen. *Journal of General Management*, 29, 76–92.
- Oshagbemi, T. (2008). The impact of personal and organisational variables on the leadership styles of managers. *International Journal of Human Resource Management*, 19, 1896–1910.
- Ostroff, C., & Bowen, D. E. (2000). Moving HR to a higher level: HR practices and organizational effectiveness. In K. K. Klein & S. W. J. Kozlowski (Eds.), *Multilevel theory, research, and methods in organizations: Foundations, extensions and new directions* (pp. 211–266). San Francisco, CA: Jossey-Bass.
- Pauwwe, J. (2009). HRM and performance: Achievements, methodological issues and prospects. *Journal of Management Studies*, 46, 129–142.
- Pearce, C. L. (2004). The future of leadership: Combining vertical and shared leadership to transform knowledge work. *Academy of Management Executive*, 18(1), 47–57.
- Purcell, J., & Hutchinson, S. (2007). Front-line managers as agents in the HRM-performance causal chain: Theory, analysis and evidence. *Human Resource Management Journal*, 17, 3–20.
- Rousseau, D. M. (1990). New hire perceptions of their own and their employer’s obligations: A study of psychological contracts. *Journal of Organizational Behavior*, 11, 389–400.
- Rousseau, D. M. (1995). Psychological contracts in organizations: Understanding written and unwritten agreements. Newbury Park, CA: Sage.
- Rousseau, D. M. (2005). *I-deals: Idiosyncratic deals employees bargain for themselves*. Armonk, NY: M. E. Sharpe.
- Rousseau, D. M. (2010). The individual-organization relationship: The psychological contract. In S. Zedeck (Ed.), *Handbook of industrial/organizational psychology* (Vol. 3, pp. 191–220). Washington, DC: American Psychological Association.
- Rousseau, D. M., Lee, C., Dabos, G., Hui, C., & Wang, G. (2011). Culture as an antecedent of the employee psychological contract: Its alignment and fulfillment. Unpublished manuscript.
- Rousseau, D. M., & Tijoriwala, S. (1998). Assessing psychological contracts: Issues, alternatives and measures. *Journal of Organizational Behavior*, 19, 679–696.

- Sapienza, H. J., Korsgaard, M. A., & Schweiger, D. M. (1997). Procedural justice and changes in psychological contract: A longitudinal study of re-engineering. *Academy of Management Proceedings*, 1, pp. 354–358.
- Stanton, P., Young, S., Bartram, T., & Leggat, S. G. (2010). Singing the same song: Translating HRM messages across management hierarchies in Australian hospitals. *International Journal of Human Resource Management*, 21, 567–581.
- Suazo, M. M., Turnley, W. H., & Mai-Dalton, R. R. (2008). Characteristics of the supervisor-subordinate relationship as predictors of psychological breach. *Journal of Managerial Issues*, 20, 295–312.
- Subramony, M. (2009). A meta-analytic investigation of the relationship between HRM bundles and firm performance. *Human Resource Management*, 48, 745–768.
- Sutton, G., & Griffin, M. (2004). Integrating expectations, experiences and psychological contract violations: A longitudinal study of new professionals. *Journal of Occupational and Organizational Psychology*, 77, 493–514.
- Tomprou, M., & Nicolaou, I. (2010). A diary study of social influence in the creation of newcomer psychological contract (Unpublished manuscript). Athens University of Business and Economics, Athens, Greece.
- Tosi, H. L., Misangyi, V. F., Fanelli, A., Waldman, D. A., & Yammarino, F. J. (2004). CEO charisma, compensation, and firm performance. *Leadership Quarterly*, 15, 405–420.
- Vecchio, R. P., Justin, J. E., & Pearce, C. L. (2008). The utility of transactional and transformational leadership for predicting performance and satisfaction within a path-goal theory framework. *Journal of Occupational and Organizational Psychology*, 81, 71–82.
- Waldman, D. A., Javidan, M., & Varella, P. (2004). Charismatic leadership at the strategic level: A new application of upper echelons theory. *Leadership Quarterly*, 15, 355–380.
- Walumbwa, F. O., & Lawler, J. J. (2003). Building effective organizations: Transformational leadership, collectivist orientation, work-related attitudes and withdrawal behaviors in three emerging economies. *International Journal of Human Resource Management*, 14, 1083–1101.
- Wanous, J. P. (1992). *Organizational entry: Recruitment, selection and socialization of newcomers* (2nd ed.). Reading, MA: Addison-Wesley.
- Wright, P. M., & Boswell, W. (2002). Desegregating HRM: A review and synthesis of micro and macro human resource management research. *Journal of Management*, 28, 247–276.
- Wright, P. M., Dunford, B. D., & Snell, S. A. (2001). Human resources and the resource-based view of the firm. *Journal of Management*, 27, 701–721.
- Wright, P. M., & Nishii, L. H. (2007). Strategic HRM and organizational behavior: Integrating multiple levels of analysis (CAHRS Working Paper #07-03). Ithaca, NY: Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies. Retrieved from <http://digitalcommons.ilr.cornell.edu/cahrswp/468>
- Yukl, G. (2008). How leaders influence organizational effectiveness. *Leadership Quarterly*, 19, 708–722.
- Yukl, G., O'Donnell, M., & Taber, T. (2009). Influence of leader behaviors on the leader-member exchange relationship. *Journal of Managerial Psychology*, 24, 289–299.
- Zhao, H., Wayne, S. J., Glibkowski, B. C., & Bravo, J. (2007). The impact of psychological contract breach on work-related outcomes: A meta-analysis. *Personnel Psychology*, 60, 647–680.

Copyright of Human Resource Management is the property of John Wiley & Sons, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.