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Direct or Indirect Control? From HRM to Psychological Contracting

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Abstract

The paper explores how HRM is currently intended, used and experienced in ten Finnish companies operating in the field of telecommunications. Our specific focus is on direct and indirect forms of managerial control and the psychological contract. We examine how psychological contracts are created and maintained, and study their relationship with HRM as a means of either direct or indirect control. Our findings indicate that employees are voluntarily assuming the obligation to exercise organizational control as a part of their psychological contract in exchange for the freedom and autonomy that they enjoy. Recruitment emerges as a top employer priority. However, not many other HR techniques are used. Rather, carefully selected workers are allowed the autonomy and freedom to define what constitutes their psychological contract, with a duty to control its attractiveness from the *employers'* point of view.

Key words: soft HRM, hard HRM, direct control, indirect control, psychological contract

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Introduction

The critics of human resource management (HRM) argue that from its inception, HRM has reflected management's attempts to control workers' attitudes and behaviours in order to improve company performance and efficiency (Townley 1994, 1998). These attempts have either taken a more explicit hard form, aimed at controlling workers as resources, or a more subtle approach, influencing workers' identity and commitment to organizations (Guest, 1999; Alvesson, 2004). Either way, HRM has been viewed as a means to exploit workers, sometimes undisguised, sometimes as a 'wolf in sheep's clothing' (Keenoy, 1990). Recently, HRM critics have pointed out that the increasingly popular high-commitment and participation-based approach to HRM is yet another sham, aimed at manipulating workers to push themselves to the limit for the benefit of the firm (Keenoy, 1997).

Nevertheless, researchers' and practitioners' interest in developing HRM shows no sign of abating. At a time when organizations are becoming increasingly dependent on intellectual capital and non-tangible assets, the question of how to attract, motivate and retain the best workers is more crucial than ever (Horwitz, Teng Heng and Quazi, 2003). Over the past years, the concept of psychological contract - capturing an individual's perceptions of the implicit deal concerning the respective obligations of the worker and the employer, has emerged as a framework for explaining how workers experience their employment relationship (Guest, 2004; Cullinane and Dundon, 2006). Although the concept of psychological contract originates initially from outside HRM literature, it has also gained popularity in explaining how HRM translates into employee attitudes and behaviours (Guest, 2002; Guest and Conway, 2002; Tsui and Wang, 2002; Cullinane and Dundon, 2006).

The importance of such an implicit contract is particularly highlighted in situations where workers have a considerable degree of autonomy in determining the nature of their work, and where the organization of work requires a delicate balance between the simultaneous demands for control, and the low levels of formalization needed in the context of creative business (Alvesson, 2004; Robertson and Swan, 2003, Seeck and Parzefall, 2008). Market logic and pressures for flexibility have increasingly pushed away the old principles of reciprocity based on long-term commitments, and employers and workers are constantly redrafting their agreements and negotiating their respective responsibilities. It appears that the role of HRM as a simple means to tap into and control potentially under-utilized resources may be changing (Alvesson, 2004; Huhtala, 2004); shifting towards that of supporting workers' implicit understanding of work and organizational goals, and of enabling a shared psychological contract that is jointly constructed by employee and employer.

However, whether or not this is the case in reality, remains largely unexamined. Most research on HRM has focused on quantitatively measuring the presence of HRM practices and their performance-related or attitudinal outcomes (e.g. commitment), and studies explicitly addressing the question of how HRM practices are intended, perceived and experienced are lacking (Kinnie, Hutchinson, Purcell, Rayton and Swart, 2005). Psychological contract research in turn has largely focused on examining its outcomes rather than considering its antecedents (Taylor and Tekleab, 2004). Furthermore, the question of how psychological contracts are created and maintained in the context of knowledge intensive and professional work in which workers' autonomy is high, and what the relation of psychological contract is with HRM as a means of either direct or indirect managerial control have not been examined.

Our study starts addressing this gap by exploring how HRM is currently intended, used and experienced in ten Finnish companies operating in the field of telecommunication with a focus on direct control and indirect managerial control and the psychological contract. We explore how psychological contracting differs from typical indirect control of high commitment HRM (Watson, 2006) as a way of controlling employees. Furthermore, we consider it important to explore the accounts of both workers and managers as they may yield differing insights into the functioning of control mechanisms and HRM. Thus our qualitative study draws on interview data that addresses both workers' and managers' perspectives. We will start by reviewing the origins of HRM and the concept of psychological contract, and discussing their role with reference to managerial control.

The Origins of HRM and the Role of Managerial Control

The term HRM is often used in one of the following three ways (Watson, 2006). First, HRM is used to refer to an academic area of study consisting of industrial relations, personnel management and areas of organizational behaviour such as motivation and work design (e.g. Heery and Noon, 2001). Second, it can refer to all the aspects of managerial work that involve employees. Third, it can imply a strategic practice with implications for performance and the bottom-line (Watson, 2006). As we wish to emphasize the relational and exchange elements of HRM, we use a definition of HRM as "that part of managerial work which is concerned with acquiring, developing and dispensing with the efforts, skills and capabilities of an organization's workforce and maintaining organizational relationships within which these human resources can be utilized to enable the organization to continue into the future" (Watson 2006, p. 407). HRM practices, on other hand, are the main means by which

management can influence and modify the skills, attitudes and behaviours of employees in order to carry out work and meet organizational targets (Chen and Huang, 2008).

HRM literature typically identifies two approaches for conceptualizing and evaluating HRM and its influence on outcome variables: the so called 'hard' and 'soft' approaches (Guest, 1987; Storey, 1999). Although this distinction simplifies the multitude of different HRM models presented in management literature, it is useful in that it captures the general tendencies of employees with reference to the controlling role of HRM.

The soft approach emphasized human resources as the concern of general management. It was seen to have four major policy areas: employee influence, human resource flow, reward systems, and work systems; and four major consequences, namely commitment, competence, cost effectiveness, and congruence (Beer et al., 1985). Soft HRM has its premises in developmental humanism (Druker, White, Hegewisch and Lesley, 1996; Legge, 1995) and in the human relations school, (Brewster, 1994) which placed social and personal relations and ways of working (e.g. group work) at the forefront of organizational and management theory in the second quarter of the twentieth century (Barley and Kunda, 1992; Wren, 2005). The human relations paradigm was both an ideology and a set of techniques, and served managers on both counts (Guillén, 1994). The Hawthorne experiments (e.g. Mayo, 1933; Roethlisberger and Dickson, 1939) had a significant role in the breakthrough of the human relations school. Employees were not to be seen as merely sellers of their labour power but as people with emotional dependencies and group identifications, driven by psychosocial norms and needs. Therefore employees were to be selected according to their social characteristics, personalities, attitudes and potential for integration and adaptation,

instead of on the basis of their physical aptitudes or dexterity (Guillén, 1994; Barley and Kunda, 1992; Wren, 2005). Soft HRM gained a stronghold in the 1980s in the US with bestsellers such as “In Search of Excellence” by Peters and Waterman (1982), viewing employees as important assets to the company, rather than a cost-factor (Druker et al., 1996).

Through HR practices such as communication, participation, and training, the emphasis is on creating a work environment that enables employee development (Crawford and Grant, 1999.) In the soft approach, employees are seen as key *resources* - because of their skills, creativity and commitment - for yielding the organization general success and competitive advantage (Druker et al. 1996). The emphasis is on individuals; trust, commitment and self-regulated behaviour play a central role.

The hard HRM approach, on the other hand, views employees as a resource like any other, and consequently, to be used like any other. Hard HRM is often closely associated with strategic HRM (Crawford & Grant, 1999). Its roots lay in the Michigan School (Fombrun et al., 1984) and utilitarian instrumentalism (Druker et al., 1996; Legge, 1995).

Within the hard approach, the *management* aspect of human resources management is emphasized, and HRM is integrated into strategic decision-making in order to enable its greatest possible contribution to business performance (Gunnigle, 1992). Labour costs and flexibility are among the main human resource concerns (Druker et al., 1996). Hard HRM, and particularly its calculative logic, has some historic resonance to scientific management (Druker et al., 1996) which predominated from the US at the beginning of the twentieth century until the end of WWI (Barley and Kunda, 1992), and spread widely across different nations in the first half of the twentieth century (Wren, 2005).

A "low commitment" HR strategy as Watson terms it (2006, p. 421), is typically based on a "hire and fire" strategy, in which labour is acquired at a point of need, trained very little as their tasks typically do not need much training, and dispelled when no longer needed. Its approach echoes Tayloristic work practices. "High commitment" HRM on the other hand continues the legacy of the human relations movement and is characterized by an attempt to psychologically and emotionally involve its employees in the company and continue in different tasks for a longer period of time (Watson, 2006). Furthermore, companies using low commitment HRM strategy draw upon management based on direct control, while those using high commitment HRM strategy use it in a manner that draws on indirect managerial control (Watson, 2006).

Soft and hard HRM are thus based on different forms of managerial control: soft HRM on indirect, normative control and hard HRM on direct, rational control. The proponents of rational control pursue productivity by computing, analysing and optimizing work process, organizational structure, and resources. They see managers as experts, and workers as calculating actors whose actions can be predicted. By contrast, soft HRM draws on more indirect, normative, control by emphasizing shared norms and values and the communal aspect of work. According to normative rhetoric, a manager's duty is to inspire and motivate workers, and to secure their well-being (Barley and Kunda, 1992.)

The critics of direct control see it as dehumanizing and too mechanical; as equating human resources with any other resources – to be used and engineered. The critics of indirect control argue that the human relations school has caused work to be seen as rewarding and to have intrinsic meaning, which is not altogether unproblematic. As Rose vividly posits, "finding meaning and dignity in work, workers would identify with the product, assume responsibility for production, and

find their own worth embedded, reflected and enhanced in the quality of work as a product and as an experience” (Rose, 1989, pp. 106–107). Work became ‘a path to self-fulfilment’ and simultaneously constitutive of individuals’ subjectivities. The organization became a community to which loyal workers were emotionally committed, where one’s mental well-being was largely determined and one’s subjectivity construed (Rose, 1989). Work was therefore to be reshaped in accordance with knowledge of the subjectivity of the worker, as this would enhance the ability to meet the psychological strivings and needs of the individual, whilst improving efficiency, productivity, quality and innovation. As a consequence, work satisfaction came to be provided in terms of psychological rather than physical or material motivators (Rose, 1989, see also Townley 1998).

The Concept of Psychological Contract, HRM and Managerial Control

While the term ‘psychological contract’ was not coined until 1960 (Argyris, 1960; Levinson, Munden, Mandl and Solley, 1962), its historical roots can be traced to the writings of Chester Barnard (1938), and James March and Herbert Simon (1958), on how an organization can elicit its members’ participation and contributions in conditions which are inherently unstable despite their formal adherence to bureaucratic rationality and legitimation. These writings were influenced by Human Relations approaches to the organization and also reflected attempts to incorporate their ideas into the sphere of sociological organizational theory. Similarly, in psychology, the concept of psychological contract provided a counterpoint to the predominantly positivistic cause-and-effect models of organizational behaviour (Rousseau, 2003). Argyris (1960), Levinson et al. (1962) and Schein (1964), who were the first to utilize the term ‘psychological contract’ emphasized the psychological and largely unconscious processes

illustrating workers' individual and subjective experiences of work. Moreover, they emphasized the potential mutual gain resulting from an exchange relationship that fulfils the needs of both worker and employer.

Though attractive in its simplicity, the concept of psychological contract remained underdeveloped for decades and received little empirical attention. Finally, in the 1990s, Rousseau's (1989, 1995) work revived interest in the concept, and it has now become an increasingly popular framework for capturing workers' understanding of the employment relationship. The distinguishing feature of Rousseau's (1989) reconceptualization of the psychological contract was its placement at the individual level, which has led most current empirical work to focus on workers' perceptions of the extent to which the employer fulfils its obligations (Conway and Briner, 2005).

Although some attention has been paid to the positive outcomes of psychological contract fulfilment (Turnley et al., 2003; Parzefall, 2008), the most important concept in contemporary research is inarguably the concept of contract breach, referring to perceived failure of the employer to fulfil its obligations towards the employee (Conway and Briner, 2005). Breach has been linked to a number of downward adjustments in important employees' attitudes and behaviours; for example trust, satisfaction, commitment, organizational citizenship behaviour and in-role performance (see Zhao et al., 2007 for a meta-analysis). The focus of most psychological contract research has thus been on the contingent interplay between exchanged resources, building on the 'inducements-contributions' model of the exchange relationship (Coyle-Shapiro and Shore, 2007). In addition, some attention has been paid to the content and features of the psychological contract, mainly with reference to the distinction between transactional and relational contract types (Taylor and Tekleab, 2004; Sels,

Janssens and Van den Brande, 2004), and to the type of reciprocity governing the exchange relationship (Parzefall, 2008). However, this psychological/organizational behaviour-focused research has almost completely ignored the question of power and exchange imbalance inherent in any exchange transaction, thus turning a blind eye to any possible controlling features of the psychological contract (Cullinane and Dundon, 2006).

The role of HRM as a way of influencing the contract has not gone totally unnoticed in the extant literature. First, it has been argued that HRM offers a means for employers to communicate their expectations of the respective obligations of both parties, thereby increasing mutuality and enabling a smoothly functioning exchange relationship (Tsui and Wang, 2002; Guest and Conway, 2002). Further, it has been suggested that the concept of psychological contract functions as a mediator between HRM practices and the attitudinal and behavioural outcomes associated with psychological contract evaluation. The underlying assumption is that the better, more numerous HRM practices there are, the more positive is workers' verdict on their contract, and the higher are outcomes such as satisfaction and well-being (Guest, 1999; Tekleab, Lepak and Bartol, 2001; Guest and Conway, 2002, 2004). This has led some authors to promote the idea of worker-friendly HRM and to encourage researchers to explicitly consider workers' positive responses to HRM (Guest, 1999, 2002; Deery, 2002). Though the empirical evidence is limited, it challenges the critics who tend to view HRM predominantly in terms of exploitation and to emphasize its controlling function. Consequently, we need to examine the extent to which HRM techniques are used, and how they are used with regard to their controlling function and psychological contract.

Empirical Study

We employed a combination of exploratory and explanatory case study approaches to address our research questions. Experiences of HRM, psychological contracting and managerial control are difficult to examine in their contextuality by drawing on quantitative methods, thus this line of inquiry supported the selection of the qualitative research paradigm and methods (Yin, 1994). We used semi-structured interviews and employed topic guides that consisted of open questions derived from the research questions. Our aim was to enable the respondents to talk at length and to give them some time to reflect (Gaskell and Bauer, 2000).

Interviews were conducted in the ten selected companies between January and April 2002. The companies were selected after interviews with experts of mobile phone content producing companies in telecommunications, our chosen industry. The mobile content industry is defined as an industry that designs, produces and distributes products and services that add value to mobile devices.

The person responsible for HRM was interviewed in each company, with the aim of establishing how, and the extent to which HRM practices were used. This was necessary in order to explore how much managers intended to use HRM, and how they described its function, rather than only counting the frequencies of practices present in the organizations. HRM was predominantly examined in terms of its practices and their implementation, because the main interest was in the everyday production and reproduction of HRM-based organizational control. The managers were specifically asked about commonly used HRM practices, both hard and soft, including recruitment and selection, training and development, monitoring and surveillance practices,

assessment and evaluation, career development, rewarding, internal communications, motivation, commitment, loyalty, and job satisfaction.

Only one HRM person was interviewed in each company, because the researchers soon learned from the interviews that none of the companies had a single HRM division or department - not even a team, project team, unit or outsourced function dedicated to HRM. There was typically *one* person handling HRM issues, backed by some specialists, such as a lawyer who is responsible for contractual matters, or a payroll clerk dealing with salaries. These specialists had other main tasks, but also carried out administrative tasks linked to HRM. Often those who were supposed to handle HRM on a full-time basis also had other responsibilities, making HRM a part-time job. This was the case regardless of the number of employees in the company.

A further 15 interviews were conducted with workers from different professional groups in five companies, in order to examine workers' views on organizational control, HRM practices and their implementation. The employees represented three different professional groups that are dominant in the industry: 1) sales and marketing, 2) technology, and 3) graphic artists and musicians. The employees interviewed were on permanent contracts, aged between 20 and 40, and had a degree from an institution of higher education, as is typical in the industry. The aim of the interviews, which lasted approximately ninety minutes each, was to establish how the employees experienced their work and employment relationship. All the interviews were held in a quiet room on company premises during office hours, and the interviewees were assured anonymity and confidentiality. The main topics covered included the experience and organization of work. Interviewees answered a set of questions about their experiences of work, organization of their work, motivation, commitment to

work and to the organization, creativity and innovation, organizational practices, and general management and decision-making practices in order to find out also the more subtle control mechanisms at play and their relation to HRM.

The interviewees were selected together with the person responsible for HRM who was interviewed first in all companies. The aim was to interview as many different types of employees as possible, in order to ascertain various experiences of HRM and associated managerial control practices of the companies.

The interviews conducted were analysed by means of thematic analysis, using *Atlas/ti*, a tool for qualitative data analysis and model building. Each of the transcripts was approximately 15–20 pages long and was read through twice in the first instance. Whilst reading through the interview transcripts, initial category suggestions were made manually, and notes and memos were written on the emerging categories and associated issues and peculiarities. This same procedure was carried out for each interview. After this, a couple of interviews were read simultaneously, section by section, to cross-check the commonality of the emerging categories.

In the analysis conducted with *Atlas/ti*, the focus was primarily on establishing common themes. The analysis process consisted of two parts: 1) the coding process, including coding the text as categories and codes and 2) the organization process, during which the coded text was organized by common themes in relation to the research questions.

FINDINGS

Manager Perspective on the Usage of HRM

The managers reported that very few HRM techniques based on direct managerial control were systematically and formally used in the organizations. Formal surveillance systems were nearly completely lacking, as were systems for feedback and reward. This was also the case with job orientation, career planning and the monitoring of job satisfaction. The techniques most frequently used were related to recruitment and the soft HRM practices of enhancing organizational atmosphere and internal communication, which were based more on indirect forms of managerial control.

No, we have no surveillance or control systems. The boss checks and colleagues check that people are present. [...] We are free and have no system and have had no malpractice.[...] If problems emerge then we have to reconsider and a system will probably be put into place. (HR manager, C6).

No, we have no official job orientation system. We are, after all, such a small and hectic business that we do not have time for this sort of thing. A person entering the organization needs to be ready to step up. Of course this needs to be directly addressed in the recruitment interview [...], but then you just start doing. We have no training period in which we could go through some cases. You are just thrown straight into the deep end (HR manager, C2).

Most of the companies also had very little documentation of HRM-related matters, apart from standard employment contracts, generic job descriptions and outlines for development discussions. Some used company information packages in job orientation and in recruitment. The absence of many HRM techniques was common, as reported in studies on HRM that have been carried out in knowledge-intensive organizations (e.g. Robertson and Swan, 2003).

The interviewed managers were not bothered by the absence of formal HRM, nor was it attributable to companies being start-ups or fledglings (Fombrun et al., 1984). Overall, the firms seem to have established a particular

informal way of organizing human resources that they recognize as their own way of organizing human resources (Robertson and Swan, 2003; Alvesson, 2004). This informal HRM (Robertson and Swan, 2003; Huhtala, 2004) is in practice people-centred, ad-hoc and activity-based and requires a shared understanding of reciprocity in the organization. We can argue this to be typical for high-commitment HRM (Watson, 2006).

If you do not even have time to give direction, you do not have time to monitor what people are doing. Therefore, everyone needs to be responsible for their own work. If they are responsible and ambitious then they do not need to be monitored. You can trust that if you give them a task they carry it out. You do not have to use your own resources for surveillance, watching over and rewarding... the people thrive successfully forward the task with their own internal ambitions (HR manager, C3)

From a critical point of view, this informal way of organizing also resembles concertive control (Edwards, 1979) and other forms of normative control based on organizational culture and identity construction (Alvesson, 2004; Grugulis, Dundon and Wilkinson, 2000). As opposed to the direct control utilized by employers, indirect control is being exercised through, for example, an internal organization, employee conflict with peer competition, and intergroup rivalry (Garrahan and Stewart, 1992). However, all the HR managers as well as the employees claimed to find the atmosphere pleasant and uncompetitive. They simply need each other to carry out their work, as they have proficiency in different areas.

It is a rare thing that you have so many people and no internal friction. We have tried to think of all the possible reasons why this is the case... maybe it is just the accepting and open atmosphere (HR manager, C6).

Managers were, however, very aware of their organizations' needs and of the strengths and weaknesses of their organizations' current way of organizing. They were also self-critical and even reflexive with regard to the HRM system and their

own role in it. The problem preventing the limited number of personnel from implementing their ideas was due to the shortage of time available for handling HRM-related matters. However, if there were more time, they would not use it to create structures and standardized HRM operations, but to talk with people informally and improve the utilization of existing techniques. Hence the tendency not to opt for more structural and standardized HRM. Consistent with this finding, HR strategies with goal-orientation in the form of technical and systematic improvement of HRM practices and techniques was also absent. Thus, these are not merely cases of poor strategic HRM failing to materialize at operational level.

The context of constant change and lack of time have implications for the way in which HRM techniques are handled. There was no point in documenting things and systematically following them up, as everything would inevitably change in a matter of a few months. For this reason, very little emphasis was placed on, for example, career planning, and the use of job descriptions was found to be pointless.

When a person comes in they have a certain job description but in six months they do completely different things. Someone may see this as a weakness, but it can also be a strength that people find their own place in the organization (HR manager, C2).

Recruitment of 'Good' Characters with Suitable Psychological Contracts

Supporting the conclusions of Robertson and Swan (2003) and Grugulis et al. (2000), recruitment emerged as one of the most prominent HRM techniques in the participating organizations, allowing for the otherwise unorganized and ad-hoc ways of HRM. The central issue in recruitment and for the operation of all HRM practices is a *worker's character*, which is assessed rather informally through peer evaluation. It is not a particular characteristic, skill or ability *per se* that is

appreciated; rather, more weight is given to the *overall* character needed in order to fit into the organization. Interestingly, what constitutes a ‘good character’ escapes straightforward definition. Some characteristics were referred to, such as independence, proficiency and social skills. However, a good character seems to be more than the sum of a particular set of characteristics. All in all, recruitment appears to be about finding people who are 'one of us'. Yet what constitutes and defines both ‘one’ and 'us' is flexible.

We get good characters from many sources. As our CEO often says, he interviews the person first and only afterwards thinks about whether we can come up with some work for him. This is one way in which people have come to work for us; we see that a person is a really good character who can add value to the company (HR manager, C2).

From a critical stance, ‘good character’ can be seen as a subtle form of control in which the whole person comes under scrutiny (Townley, 1998). For example, Grugulis et al. (2000) have argued in their study on management practices in a consultancy, that management strategies form a system of normative control that attempts to regulate employee consciousness not only at work, but also outside work. Furthermore, this scrutiny may increasingly result from horizontal relationships with colleagues and customers, implying that monitoring occurs within these relationships and draws on psychological contracts between colleagues (Seeck and Parzefall, 2008). This could be stressful for workers - having to constantly bear the uncertainty of not knowing whether or not they are ‘good characters’. As Bauman (2002) suggests, workers have to continuously convince the employer, and their work community, that they are valuable to the company - today and tomorrow. This, in turn, could drive workers to accept a psychological contract favouring their employer and to constantly push themselves to the limit.

Nonetheless, our data from the workers' perspective does not support this: none of the interviewees said, or can be interpreted as saying, anything about the pressure of needing to behave in a particular way or not knowing how to act or how to behave. Yet, the influence of uncertainty might be so subtle that the workers do not realize it themselves, nor can it be expressed verbally. Perhaps 'good character' escapes clear-cut definition because it is ever-changing, yet based upon a socially shared understanding of the state of the industry's companies. This is in line with Rousseau's (2004) concept of a 'meta-psychological contract', which benchmarks the type of relationships and behaviour that are viewed as desirable in a given organization. According to Ho (2005), who has theoretically considered the role of social context and its implications for normative psychological contract-forming among groups of employees, social comparisons may influence employees' evaluation of their psychological contract fulfilment. In our view, however, it is not only that workers compare their contracts in terms of fulfilment, but that having particular types of workers employed in a company facilitates the creation and maintenance of particular types of psychological contracts desired by the organization.

We always aim to get good characters to work here - that is the starting point. Well, business is... if you have some experience of life, you learn business rather fast. That, you see, is the important thing. [...] The aim of the team is to find the right guy, because if you find out you have the wrong guy during the actual operation, you have already destroyed quite a bit of the team. You can cause damage beyond repair. That is the difference between the large company and us; they can sack people or move them to other parts of the organization. They have many different alternatives... we are on the side of the individual. We do the groundwork better than large companies. That is the difference. We are such a small unit that we can destroy it easily, therefore, we need to be well prepared (HR manager, C2).

Proficiency as a Psychological Contractual Obligation

Proficiency is naturally expected from good characters. Proficiency manifests itself on the one hand, as emphasis placed on specialized training and education, and on the other hand, as previous work experience. The value given to proficiency is also illustrated by managers' positive stance on workers finishing their interrupted studies, participating in further training, and continuously developing their skills. For instance, companies tend to allow for the re-organization of working hours according to the demands of university studies. On the other hand, proficiency is seen as a worker's *obligation* and its development stems from workers' motivation and understanding of what will be useful. Employer-initiated training is scarce, though their attitude to training is very positive. Prior work experience is also usually required. At times, young professionals without work experience are nevertheless preferred because they are seen as free from preconceived ideas about the business, and can thus potentially provide fresh perspectives.

We take on a person because of character, we do not take on any feeble people... the basic assumption is that the person understands what s/he has been hired for ... there is no need to hold the person's hand (HR manager, C4).

Flexibility as a Psychological Contractual Obligation

Flexibility is another issue closely related to the recruitment of capable and skilled workers - good characters: in organizations founded on a premise of flux, an ability to change and be dynamic is required. For example, a person's ability to work in other parts of the organization is already monitored in the recruitment phase. This is because within months the person is likely to have, at least to some extent, a different set of duties, and certainly new projects. This

highlights the constantly evolving nature of the psychological contract (Rousseau, 1995). Fournier (1998) describes flexibility as one of the core characteristics of 'new career discourse', which demands flexibility as a fundamental characteristic of the contemporary worker. Similarly, psychological contract literature has recognized flexibility as a central part of the new career deal (Rousseau, 1995, 2005). However, it is not merely workers who need to adapt and be flexible. Flexibility is also reflected and replicated in everyday organizational structures and routines.

The industrial safety inspector thought we have no working hours practice. So far we have had free working hours because we "nerds" live by a different rhythm. We come here at midday and are here until late. Thanks to the industrial safety inspector we now probably have to change this somehow... we were just trying to explain that it really is not in the interest of the workers to change this as they prefer to have flexible working hours (HR manager, C1).

Thus, we do not suggest that there is a forcible demand for workers to be flexible, that workers would merely somehow be subjugated in the process, or that the psychological contract is harnessed to disguise employer control in order to increase flexibility (Cullinane and Dundon, 2006). Rather, flexibility is genuinely and inherently present in organizations, having both positive and negative effects and implications (Robertson and Swan, 2003). No doubt workers at times feel strained due to the vast amount of modifications and flexibility required in everyday work. On the other hand, flexibility also means that workers can largely determine their own job content, work roles and working hours.

I can impact myself on the outcome of what I am doing - I have the freedom and the responsibility for it. Therefore, successes come also almost completely to me. Then again, if something goes wrong I take the main responsibility... I can see and demonstrate the outcomes of my own work and do things the way that I see is best (Employee, C6)

What everyone aims for is established and we try to find a corresponding place or area in the organization, in which you can develop accordingly. Also, if you want to change your duties and develop yourself in that area, we aim to arrange that (HR manager, C8).

Thus the analysis suggests that, rather than being controlled by formal and stable structures and practices, workers can - and are expected to - participate in the construction of the organizational reality on an everyday basis. Simultaneously, workers participate in creating conditions that set limits to their work (Robertson and Swan, 2002): 'responsible autonomy' is thus a part of their psychological contract.

Overall, the interviews with managers indicate that the organization and implementation of HRM practices are based on *lateral* personal relations among professional people carrying out projects together. The workplace is informal, with a relaxed atmosphere and a special effort is put into recruiting good characters who make possible the flexible and ad-hoc way of organizing, including HRM. Not many conventional techniques are used to manage workers, let alone to control them. Rather, carefully selected workers are allowed the autonomy and freedom to define what constitutes their psychological contract, with a duty to control its attractiveness from the employers' point of view.

Workers' Perspective of the Modus Operandi of HRM

The workers interviewed largely agreed with the managers on the lack of formal HRM practices: due to the lack of time and constant change, HRM techniques are perceived as being used somewhat arbitrarily: informally, unofficially, irregularly and in an unstructured manner.

I can make decisions very autonomously. Working hours are also very flexible. I can also pretty much decide for myself what I do and when I do it. Of course you have to take into account that clients have certain requirements, as do the projects. But no one comes to tell me you need to do these in this order. Instead, the work is self-initiated and self-directed (Employee, C4).

A job description is usually written when a person is hired, but the problem is updating it. Descriptions change so fast that in three months' time they are no longer valid (HR manager, C5).

Correspondingly, workers report that their work and working hours are hardly monitored or systematically followed up. They can largely decide upon the content of their work, participate in projects that interest them, and choose their working hours and holidays. To a great extent, the workers appear to have assumed many of the obligations that are typically seen as employers' obligations in psychological contract literature (Guest and Conway, 2002, 2004; Tsui and Wang, 2002). The analysis further suggests that this is what workers *expect* and what they see as a prerequisite for their participation in the organization, rather than it being imposed on them. This, in our view, goes beyond normative and manipulative control through enforced participation (Willmott, 1993; Robertson and Swan, 2003; Grugulis et al., 2000). In workers' accounts, it is a matter of voluntary participation in the construction of organizational reality, in ways that are ultimately beneficial for companies, and of an implicitly accepted obligation of self-control in exchange for an otherwise considerable degree of autonomy. This is in line with the observation that workers do indeed possess agency in constituting their psychological contracts – something that has traditionally been ignored in psychological contract literature (Seeck and Parzefall, 2008).

I see my work as very autonomous - very. This is because I can really make decisions and I am given opportunities. But it is also because, for example, my job description is not defined in detail. So, the creation and construction is self-initiated and self-directed.... I can have a very large impact upon my

work. Then again, I am expected to bring in new ideas and develop stuff, so I can very much define what I actually do (Employee, C8).

Organizational Atmosphere and the Psychological Contract

What do workers expect from their employers in return for apparent self-management? The workers emphasized the importance of *organizational atmosphere* and *enjoyment* at work, thus ranking them as a top psychological contractual obligation on the part of the employer. A prerequisite for a good atmosphere is to have experienced and professional people; a group of good characters, working together. The workers were also proud to be associated with their colleagues and to take credit for well-run projects. Good atmosphere is linked to commitment and motivation: it is this, and staying 'at the edge' that appears to determine workers' commitment and motivation (Alvesson, 2004; Huhtala, 2004). This supports the importance of recruitment as a way of ensuring the smooth functioning of the organization.

The fact that you can see the results of your work motivates [...] There are many things that motivate, also the challenging nature of work motivates, you prove to yourself that even though this was a difficult thing you could do it [...] The motivation would disappear very fast if you did not have challenges and diverse work. I get bored extremely easily (Employee, C4).

Hmmm, the most important thing is that I feel I get something else than just a salary out of work. I want to be able to learn new things where I work, not just new everyday tasks but also meaningful wholes, and thereby develop my proficiency further. Also, the social meaning of work is important to me (Employee, C5).

In practice, good atmosphere translates into activities arranged for people to enjoy themselves, including organization-wide events, team events or simply drinks with a few colleagues after work. Enjoyment was also about little everyday things such as office vending machines, free snacks, games at the office

and comfortable couches. In addition, generous benefits, such as mobile phones, computer connections at home and company cars, supported the easy-going and enjoyable atmosphere at the workplace. Colleagues also just spent time together; playing sports or going for drinks or dinner at their own expense. Naturally, there are also individuals who prefer to separate their spare time from their work time. However, interviewees who preferred to separate their work and private life did not consider themselves to be at a disadvantage because of this. Thus, contrary to Grugulis et al (2000), we did not find normative cultural control that would have enforced the employees into a particular model outside the context of work.

Learning Opportunities and the psychological contract

Learning opportunities emerged as the most important motivator among the interviewed workers, whether it was through the development of new products, or engagement in new projects and tasks. Rather than emphasizing career development, the *experience* that one is learning and constantly has opportunities to develop was deemed more crucial. Opportunities for learning and development are thus what workers expected from their employer.

I hope for feelings of success from work and that I can prove to myself that I am able to do things and can do them (Employee, C1).

That I can develop myself. And that work will be diverse and challenging. That you can progress in your work and get more responsibility. Even if the title remains the same for the rest of your life, that you see yourself that you get more responsibility: the title is just a word on paper (Employee, C4).

At the same time, this is consistent with constant organizational change, the requirement for flexibility, and the request for challenges; they

necessitate learning. Thus, in order to survive, willingness to learn and develop autonomously appear as the cornerstone of workers' psychological contract. This is in line with the findings of Flood, Turner, Ramamoorthy and Pearson (2001), who concluded that workers in a high-tech company perceived a strong obligation to contribute (e.g. be innovative and perform), whereas pressures to confirm (e.g. commitment to the organization and intention to stay) were weak.

A feeling of success in challenging tasks was closely linked to opportunities for learning. Interestingly, again, it is not success *per se* that was deemed important, but *the feeling of success*. Thus, it is not the opinion of others as much as the experience of self that success is judged upon. Feelings and experience function as motivating forces, rather than position, career or money-related matters, which are taken for granted. Thus, it is *subjective experiences* that matter in addition to material and status-related factors. This again suggests that rather than having HRM practices with their controlling function in place influencing employees, workers are judging their experiences and success against their own subjective measures.

The most interesting thing is that every day you learn new things. All the time something... all the time there is something to learn. [...]The most motivating thing is self-development. That way you do not stand still... the content of work is also relevant, you cannot do it unless you are interested (Employee, C7).

To summarize, the workers interviewed embraced a somewhat chaotic way of working: it is seen as closely related to, or even synonymous with interesting and challenging work. Flexibility and proficiency, combined jointly with a particular type of personal character emerge as the main psychological contract obligations, whereas learning opportunities, good

organizational atmosphere, and enjoyment at work emerge as the main psychological contract demands. The main function of HRM is seen to be that of ensuring that there is a good group of professionals at the workplace, that the atmosphere remains enjoyable, challenging and dynamic and that there are tasks that allow employees to constantly develop and fulfil their own subjective ambitions.

Discussion

What can we conclude about the role of HRM, organizational control and the psychological contract? The HRM techniques used are informal rather than formal. Recruitment emerged as a top employer priority. HRM is based on negotiation and communitarian ways of organizing rather than on direct delegation and control (Robertson and Swan, 2003; Alvesson, 2004). This appears to relate to equality between employer and workers, which is founded on proficiency and individual agency. The workers have expertise that others need and, due to this, personal autonomy and agency which allows them increased control of their daily work. Our findings are thus in line with Rousseau's (2005) observation regarding the increased prevalence of idiosyncratic deals, and their implications for the psychological contract. She argues that employees in particular in knowledge-intensive organizations have more and more power to negotiate personalized agreements regarding their work and employment relationship. This can also occur in the form of job crafting, a process through which employees modify and enhance their work roles and duties by adding elements that they personally enjoy or find meaningful (Wrzesniewsky and Dutton, 2001).

HRM is therefore increasingly situation-sensitive and context-dependent, and targeted mainly at the recruitment of a particular type of personality that fits into the organization (or rather with the idea of how it is going to develop) and at retaining them by allowing a high degree of autonomy, freedom and enjoyment. This is not to say that compensation and other external rewards are totally unimportant, but that they alone are not a sufficient motivator. Both workers and managers expect a high degree of worker autonomy, and the role of HRM is increasingly to support and allow for self-determination and opportunities to develop within organizational boundaries.

Consequently, there is not much control in terms of reward and feedback systems, and workers decide upon their own way of working, the content of their work and so forth (Robertson and Swan, 2003). Furthermore, there are very few restrictions, official codes of conduct or structured requirements for how workers should use their capacity. Workers are also equal in this respect - everyone is involved in organizing, control, and in the organization of control. In this sense control is *a shared responsibility* that becomes possible because similar 'good' individuals work together on projects.

From a critical stance, teamwork has its own disciplinary practices at play that can be called concertive control (Barker, 1999; Edwards, 1979). Barbara Townley discusses how HRM includes practices that draw from Foucauldian 'technologies of the self' and 'disciplinary power', thereby controlling workers in subtle ways by working through and upon their subjectivity. Perhaps psychological contracting is another means to subtly subjugate workers, to the extent that other control mechanisms are not needed (Cullinane and Dundon, 2006). While we are not able to exclude this possibility, our empirical results suggest that both rational and normative HRM-based control

are largely lacking. Rather, workers sincerely enjoy their work and perceive HRM as supportive to themselves and to their work.

We can thus argue that workers are becoming empowered to the extent that, once employed, their main psychological contractual obligation is to remain needed by their superiors and teams (Bauman, 2002). Rather than being *forced* to carry out particular work tasks, workers have to thus make themselves relevant to the company by constantly re-inventing both their work and the organization. While this may constitute a new demand, and potentially also a new form of subjugation, it may allow workers to participate in constructing the nature of their work and, ultimately, of the company. Furthermore, it is unlikely that workers will be willing to sell their expertise unless the work is intrinsically motivating, challenging and even fun (Alvesson, 2004; Huhtala, 2004).

Our findings thus suggest that HRM functions through working together, trusting and respecting – creating a meta-psychological contract through which the obligations of both the workers and employers are communicated (Rousseau, 2004). Furthermore, our study suggests that workers and employers share a psychological contract which allows for workers' autonomy but includes an obligation to control the contract so that it remains attractive from the organization's point of view. In other words, workers expect autonomy from their employers, which in parallel constitutes a new obligation (Robertson and Swan, 2003). Rather than a bureaucrat or an administrator, the agent of control is the worker, who appears to accept this role as a part of his/her psychological contract in exchange for the freedom that s/he has in determining the work that s/he carries out. While this way of control largely 'releases' HRM from its controlling role, it sets new demands for workers. It is the particular characters to whom this way of

working is appealing, who are willing to accept such an obligation, whom contemporary organizations strive to recruit.

The results point out that the discourses associated with the human relations school are to some extent *missing* from the organizations studied. This leads us to believe that the legacies of the human relations school are not just being repeated in another guise. It is not just that the *locus* of control is the worker's self, but also that the *agent* of this control is the worker's self. The work of these contemporary workers might be facilitated and laterally checked in teams, but the workers themselves are not controlled through hard HRM techniques based on direct control. Consequently, HRM system based on direct control, whose function was to control and manage human resources externally, is becoming less relevant, as the object of management is no longer manageable this way. Rather, the object has become a participant in the controlling process, willingly accepting the obligation to exercise control in exchange for the freedom and autonomy to construct the nature of the work, the worker her/himself and the organization. In our view, the function of HRM is therefore shifting towards supporting psychological contracts, so that workers jointly contribute to and ultimately maintain a meaningful organizational entity. How and to what extent this occurs presents itself as an avenue worth further exploration by HRM and psychological contract researchers. Further research is needed on the role of psychological contract in knowledge-intensive conditions and professional work, as well as on how the lack of direct control and hard HRM can be explained by psychological contract theory. This control seems not to be merely a matter of hard or soft HRM, or direct and indirect control, but the type of control which is essential to the psychological contract the employees engage in.

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