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Serving two organizations : exploring the employment relationship of contracted employees

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Serving Two Organizations: Exploring the Employment Relationship of Contracted Employees

Abstract

Although there has been growth in contract employment arrangements in both the public and private sectors, there has been little research on the organizations and employees affected by these arrangements. This study examines the employment relationship of long-term contracted employees using a social exchange framework. Specifically, we examine the effects of employees' perceptions of organizational support from contracting and client organizations on their (a) affective commitment to each organization, and (b) service oriented citizenship behavior. We also examined whether felt obligation toward each organization mediated this relationship. Our sample consists of 99 long-term contracted employees working for four contracting organizations that provide services to the public on behalf of a municipal government, including refuse collection, management of leisure centers, and parks patrol and grounds maintenance. Results indicate that the antecedents of affective commitment are similar for the two organizations. Employee perceptions of client organizational supportiveness were positively related to felt obligation and commitment to the client organization. Client felt obligation mediated the effects of client POS on the participation dimension of citizenship behavior. Our study provides additional support for the generalizability of social exchange processes to non-traditional employment relationships. Implications for managing long-term contracted employees are discussed.

Serving Two Organizations: Exploring the Employment Relationship of Contracted Employees

Organizations are increasingly positioning their human resources in work arrangements that create new forms of employment relationships (Cardon, 2003; Connelly & Gallagher, 2004; Lepak, Takeuchi & Snell, 2003). One of the fastest growing forms involves the use of external or contracted employees (George, 2003). Contract arrangements are themselves highly variable (Pearce, 1993). Contingent contract arrangements may entail, for example, self-employed individuals who sell their services to a client organization for a specified time or project, seasonal employment arrangements, or temporary employment through in-house or intermediate agencies where hours may be non-systematic. Less contingent, more permanent contract arrangements are rapidly evolving where a third party body (e.g., a contractor or professional employer organization) agrees to handle a set of work responsibilities for a client organization at their work location(s) or as assigned (Album & Berkowitz, 2003; Connelly & Gallagher, 2004; Kalleberg, 2000). The contractor supplies the employees and is the legal employer of record. The client organization has, in effect, outsourced some operations to the contractor. Stated differently, the contractor and the client organization have negotiated a shared employer relationship vis-à-vis the contracted employee, creating a triangular system of employment relations (Kalleberg, Reskin & Hudson, 2000; McKeown, 2003). What differentiates this work arrangement from others is the multiple agency aspect of the work, wherein a worker simultaneously fulfils obligations to more than one employer through the same act or behavior (Gallagher & McLean Parks, 2001). A second difference between this and other contingent contract arrangements is that this arrangement assumes a longer time horizon and tends to entail more relational exchanges between employees and the client organization (Lepak et al., 2003). Lepak and his associates describe this type of employment relationship as an alliance or partnership (Lepak & Snell,

2002; Lepak et al., 2003). Employees who work under these arrangements, who we refer to as long-term contracted employees, are the focus of this study.

The popularity of outsourcing as a business practice is reflected in a substantial increase in the size of the contractor industry and a growth in the number of long-term contracted employees (Benson, 1999; National Association of Professional Employer Organizations (NAPEO), 2005). NAPEO (2005) estimates that 2-3 million Americans are currently co-employed in long-term contracted arrangements. The growth in contract work has been even stronger in Australia (McKeown, 2003; Peel & Boxall, 2005) and Europe, especially in the United Kingdom (Kalleberg, 2000). Despite this expansion, long-term contracted employees have received scant research attention and little guidance has been provided to practitioners seeking to manage these unique employees. They are quite different from other non-standard employee groups such as temporary employees or independent contractors because they are embedded in a more secure and permanent employment context. Moreover, client organizations often regard such employees as front-line service representatives who possess firm-specific knowledge that can build customer loyalty over the long run (Peel & Boxall, 2005). Hence, relying on empirical research comparing standard and various other types of non-standard employees (e.g., Davis-Blake, Broschak & George, 2003; George, 2003; McDonald & Makin, 1999; Pearce, 1993; Van Dyne & Ang, 1998) is insightful but not adequate. Clearly more intense examination of long-term contracted workers is warranted. It would be beneficial to know, for example, if the same underlying psychological processes that govern standard employees' organizational behavior are replicated among long-term contracted employees. As Liden, Wayne, Kraimer and Sparrowe (2003) point out, working for two organizations simultaneously makes understanding contracted employees more complex than the study of standard employees.

To this end, this study sets out to explore the extent to which long-term contracted employees develop social exchange relationships with their contracting and client organizations. More specifically, we investigate how perceived support and felt obligation associated with the two organizations manifest themselves in the expression of commitment attitudinally (affective organizational commitment) and behaviorally (service-oriented organizational citizenship behaviors). The model depicted in Figure 1 outlines expected relations. A second purpose of this study is to compare whether the social exchange processes associated with contractor and client organizations operate similarly in explaining affective organizational commitment and citizenship behaviors. In doing so, this study contributes to the employment relationship literature by exploring the extent to which a social exchange framework is applicable to contracted employees.

LITERATURE REVIEW

Social exchange theory is one of the most influential conceptual frameworks for understanding attitudes and behavior in organizations (Cropanzano & Mitchell, 2005). Although different views of social exchange exist (Coyle-Shapiro & Conway, 2004; Cropanzano & Mitchell, 2005), there is agreement that social exchange involves a series of interdependent interactions that generate an obligation to reciprocate. In essence, social exchange involves the exchange of tangible and intangible resources that is governed by the norm of reciprocity (Gouldner, 1960). As Gouldner (1960) notes, the norm of reciprocity is a universal principle to guide behavior such that an individual is obligated to return favorable treatment received from a donor – there is an expectation that in providing another with benefits, an obligation has been created that the recipient will reciprocate the benefits received. This creates a mechanism by which the exchange relationship is strengthened through the ongoing conferring of benefits and discharging of obligations.

Although social exchange theory can be applied to a range of relationships in organizations, the emphasis has been on the individual-organization relationship and to a lesser extent on the individual-supervisor relationship (LMX: Sparrowe & Liden, 1997; Wayne, Shore & Liden, 1997). In the context of the employment relationship, employers provide a range of material and non-material rewards in exchange for employee loyalty and effort (Aselage & Eisenberger, 2003). Consistent with the tenets of social exchange theory, when employees are the recipients of favorable treatment from their employer, they reciprocate by enhancing their attitudes and behavior toward the organization (Moorman, Blakely & Niehoff, 1998; Shore & Wayne, 1993; Rhoades, Eisenberger & Armeli, 2001). In particular, empirical research has focused on organizational commitment and organizational citizenship behavior (OCB) as outcomes of social exchange relationships. The evidence is supportive of a positive relationship between Perceived Organizational Support (POS) and affective commitment (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Liden et al, 2001; Shore & Tetrick, 1991; Wayne et al., 1997) and also between POS and OCB (Bettencourt, Gwinner & Meuter, 2001; Moorman et al., 1998; Shore & Wayne, 1993).

Of interest here is the extent to which social exchange processes underlie nonstandard, co-employment contexts (i.e., amongst contracted employees working on behalf of a client organization). Similar to Liden et al. (2003), we examine the extent to which social exchange theory forms the basis of contracted employees' commitment to multiple entities (their employing organization and the client organization) and the extent to which employees engage in service oriented OCB. Our study differs in two important respects. First, our sample consists of long-term private contracted employees delivering a service to the public. Second, we explicitly attempt to capture reciprocity as the underlying explanation to explain commitment and service oriented OCB.

Employee attitudes toward multiple organizational targets, a formal employer and the organization they are contracted to serve, are not well understood. Commitment to these two referents can be viewed as organizational commitment (e.g., commitment to a contract employer), a well-established construct in the literature, and external organizational commitment (e.g., commitment to an organizational client), which is relatively new (McElroy, Morrow & Laczniak, 2001). It is important to emphasize that external commitment here refers to allegiance to an alternate organization and not to customer (i.e., end-user) commitment. There is some evidence supporting the co-existence of dual allegiance – to the union and the organization (e.g., Beauvais, Scholl & Cooper, 1991; Deery, Iverson & Erwin, 1994); to the agency and the client organization (Liden et al., 2003). This study also seeks to see if such relations extend to contractor-client organizational relationships.

Organizational citizenship behavior (OCB) was first introduced by Organ (1977) to capture “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system and that in aggregate promotes the effective functioning of the organization” (Organ, 1988, p. 4). Since then, OCB has received significant attention in terms of its conceptualization, dimensionality and antecedents. Organ’s (1988) conceptualization of OCB prompted researchers to question the boundary between in-role and extra-role behavior and argue that the categorization of behavior as in-role or extra-role may vary across job incumbents and change over time (Morrison, 1994; Van Dyne, Graham & Dienesch, 1994). In response, Van Dyne et al. (1994) drew upon political philosophy and active citizenship syndrome and defined OCB as “global behavior at work”. The authors conceptualized OCB as having three dimensions: loyalty, obedience and participation that paralleled its counterpart in political philosophy.

Although this definition overcomes the problematic issue of delineating between in-role and extra-role behavior, Bettencourt et al. (2001) argue that researchers have focused on citizenship behaviors that are widely applicable across positions and organizations and in doing so ignored calls to extend the focus of OCB to include service oriented behaviors. For example, Borman and Motowidlo (1993) argue “service companies have special requirements on dimensions related to dealing with customers and representing the organization to outsiders” (p. 90). In response, Bettencourt et al. (2001) drawing upon prior empirical work (Van Dyne et al., 1994) adapt and develop a measure of OCB with a service delivery focus appropriate for employees in a service setting.

Employees who deliver a service have a unique role in serving as boundary spanners between their own organization and the recipients of their service (Bettencourt et al., 2001). This type of behavior may be particularly important in the context of contracted employees delivering a service on behalf of a client organization as contracted employees represent the contact person on behalf of the client organization in interacting with customers (in our study, the public). Bettencourt et al., (2001) argue that it is “essential that contact employees perform service delivery OCBs – behaving in a conscientious manner in activities surrounding service delivery to customers” (p. 30). Therefore, service oriented citizenship behavior benefits both the employing as well as the client organization. It is in the client’s best interest to have contracted employees engaging in service delivery citizenship behavior towards the public and at the same time, in the employing organization’s interest to ensure that it provides a high quality service thereby ensuring that its relationship with the client organization continues – its contract renewed upon expiry. We examine the extent to which service oriented citizenship behavior is based on employees’ reciprocating treatment received from their employing organization and the client organization.

HYPOTHESES

Drawing on social exchange, organizational support theory proposes that employees form a general perception concerning the extent to which the organization values their contribution and cares about their well-being and this perception is partly based on how they feel the organization has treated them (Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001). Perceived organizational support (POS) amongst employees is encouraged by the tendency for individuals to ascribe humanlike characteristics to the organization (Eisenberger, Huntington, Hutchison, & Sowa, 1986) and, because of this, employees would interpret the favorable or unfavorable treatment as indicative of the organization's benevolent or malevolent orientation toward them.

Eisenberger et al. (2001) argue that POS creates a felt obligation on the part of employees to care about the organization and help it achieve its objectives. Organizations can enhance perceptions of support through organizational justice, favorable treatment from organizational agents and favorable human resource practices that signify an investment in human capital such as job security, autonomy, participation in decision making and training (Eisenberger, Jones, Asleage & Sucharski, 2004). As POS provides a broad set of tangible and intangible resources to employees, the norm of reciprocity would produce a felt obligation to help in the organization (Eisenberger et al., 2004). We therefore examine whether perceptions of perceived organizational support from the contracting organization are positively related to employees' felt obligation toward the contract organization.

H1a: Employees' contract POS will be positively related to their felt obligation to their contract organization

Furthermore, we explore whether employees' perceptions of the external support from the *client* organization is related to their felt need to care about the welfare of the *client* organization. However, the basis upon which employees evaluate the treatment of the client

organization towards them is likely to differ from the basis upon which they evaluate the treatment they receive from their own organization. Employees' perceptions of client perceived support may be influenced by a number of factors. The first is the terms of the contract negotiated with the client organization regarding the delivery of the service and the extent to which the terms are advantageous to employees. The second is the degree to which the client organization's human resource management policies are extended to contracted employees; for instance, whether they are provided with in-house training opportunities or are covered by performance management systems. The third relates to management style and whether managers are inclusive, communicating with contracted employees by passing on messages and involving them in team meetings. We hypothesize that client perceived organizational support is positively related to employees' felt obligation to care about the client organization and help it achieve its goals.

H1b: Employees' client POS will be positively related to their felt obligation toward the client organization

There is empirical evidence supporting a positive relationship between POS and affective commitment (Eisenberger et al., 1990; Shore & Tetrick, 1991; Wayne et al., 1997). Using longitudinal data, Rhoades et al. (2001) found that POS was positively related to changes in affective commitment but that affective commitment was not related to changes in POS, suggesting a uni-directional relationship between the two. In addition, McElroy et al. (2001) explicitly theorize that favorable perceptions of client (external) POS should engender feelings of affective commitment toward the client organization. Liden et al. (2003) provide empirical support for the relationship between agency employees' perceived support from the client organization and their affective commitment to the client organization.

With the exception of Eisenberger et al. (2001), most empirical studies assume that the positive consequences of POS on outcomes is suggestive of the underlying norm of

reciprocity but this is not explicitly tested. The norm of reciprocity (Gouldner, 1960) underpins social exchange relationships in which the conferring of benefits to one party obliges them to reciprocate. As Eisenberger et al. (2004) argue “because POS provides a broad and valued set of socio-emotional and impersonal resources to employees, the norm of reciprocity should in turn, produce a general felt obligation to help the organization achieve its goals” (p. 212). To examine the extent to which reciprocity underlies the relationship between POS and affective commitment, we assess the degree to which POS enhances employees’ felt obligation that in turn influences their affective commitment. In addition, we investigate whether the same process holds true for the relationship between client POS and client affective commitment.

H2a: Employees’ felt obligation to the contractor will mediate the effects of contractor POS on their affective commitment to the contract organization.

H2b: Employees’ felt obligation to the client will mediate the effects of client POS on their affective commitment to the client organization

Prior empirical work supports a positive relationship between POS and OCB (Bettencourt et al., 2001; Coyle-Shapiro & Conway, 2005; Eisenberger et al., 1990; Kaufman, Stamper & Tesluk, 1999; Moorman et al., 1998; Wayne et al., 1997) suggesting that individuals reciprocate benefits received by engaging in positive behaviors that assist the organization in achieving its goals. In the context of this study, displaying citizenship behavior may be particularly important in terms of enhancing the image of the service provider. Exhibiting citizenship behaviors demonstrates having first hand knowledge about service delivery, which provides the basis for service improvement, and taking the initiative in communicating with others to improve service delivery enhances the organization’s ability to adapt to changes advantageous to the client.

In social exchange theory, individuals seek to reciprocate in ways that maximize the likelihood that the exchange partner will notice (Blau, 1964). Here, service oriented citizenship behavior is likely to be viewed as a valuable commodity for exchange given that the relationship between the contractor and client organization is based on contractually specified service delivery. Consistent with the tenets of social exchange, we examine the extent to which employees' felt obligation influences their service oriented citizenship behavior.

H3a: Employees' felt obligation to the contractor will mediate the effects of contractor POS on their service oriented citizenship behavior

H3b: Employees' felt obligation to the client will mediate the effects of client POS on their service oriented citizenship behavior

Method

Client Organization

The British public services provide a particularly interesting and significant site for the study of long-term contracted employees. The use of such workers is well established in this sector as public policies have mandated local governments to put out to tender an increasing range of their services (Colling, 1999).

One local authority in London took up this public policy initiative with particular alacrity. It is the site of this research and is identified here as the 'Council'. The Council is responsible for providing a wide range of public services to a population of around 190,000 dispersed across an area of almost 22 square kilometres. These services are delivered by three main directorates- Education, Social and Community Service, and Environment and Leisure- employing a workforce of around 5,000 employees. We focus on the services provided on behalf of the Environment and Leisure directorate by four private contractors.

Private contracting organizations

Four separate contracting companies provided services on behalf of the Council. The refuse and street cleaning service is provided by a foreign owned multi national company, which entered the UK waste management market in 1990. It held this first contract with the council for eight years in total- seven years plus a one-year extension. The current contract was signed in September 2003 and is again a seven-year contract. The contract, which involves a considerable degree of self-monitoring and a once a year audit by the Council to ensure that the specifications are being met, employs around 900 workers.

The contract for running the council's four indoor leisure centers and two outside facilities from the outset has been held by another company. This is again a multi-national company established in 1980 and running leisure facilities in a number of European countries under a number of different brand names. It has held the contract with the council since the late 1980s and it is now into the third round of contracts. The nature of the contracts has, however, changed somewhat in that they have become longer and increasingly operated along 'partnership' lines. Initially the contracts with the council ran for three to six years. The current contract, which was signed in 1999 and employs 320 full time equivalent employees, runs for fifteen years, until 2014.

The parks patrol and grounds maintenance contracts are held by two companies, with each company providing some patrol and grounds maintenance activities depending on geographical location. The companies are, however, very different in character. One is a Dutch owned company formed in 1989 and holding contracts with private and public sector organizations in a range of European countries. The company has a total workforce of 800 and claims to 'invest' heavily in its workers so guaranteeing that they are 'fully experienced' and helping to ensure 'quality assurance'. The other company is much smaller. It is UK owned and was formed in 1999. Its work is concentrated on public and private sector

contracts in London and the South East of England. It has a compact workforce of only 75, most of whom have 'more than 10 years industry experience', and also has quality assurance accreditation. The current contracts with these companies were signed in April 2000, is for five years with the opportunity for both companies to re-tender.

Sample

A survey was distributed to a total of 392 employees (those involved in delivering the contracted service) in the four contracting organizations with a cover letter indicating that completion was voluntary and responses would be kept confidential. In the refuse and street cleaning organization, only one third of employees were sampled because of poor English language proficiency employees. In the other organizations, all employees were surveyed.

Overall, 131 surveys were returned (an overall response rate of 30%) and this was reduced to 99 fully completed surveys due to missing data. The surveys that were eliminated were due to the fact that some were returned with less than 50% of the questions answered. Indeed many such eliminated surveys had only a page or two completed. We felt that when a respondent provided only limited information, it was most appropriate to remove the case from further consideration. 170 surveys were sent to employees in the leisure centers (70 returned yielding a response rate of 40%), 131 were sent to refuse collection employees (31 returned, response rate of 24%), 50 surveys were sent to the Dutch owned parks patrol/grounds contractor (22 returned, response rate of 44%) and 37 were sent to the UK parks patrol/grounds contractor (8 returned, response rate of 22%). The overall sample consisted of 64% male with mean job tenure of 6.6 years. 90% of respondents interacted directly with end service users. 85% of respondents were on a permanent contract, 10% on a fixed term contract and 5% temporary contract with their employing organization.

Measures

Service oriented citizenship behavior. Service oriented citizenship behavior was measured with 15 items from a 16-item scale developed by Bettencourt et al. (2001). Respondents were asked to indicate the extent to which they engaged in citizenship behaviors along a seven-point scale anchored with ‘never’ and ‘very frequently’. One item relating to generating favorable goodwill for the organization was inappropriate as individuals cannot purchase the services offered (i.e., garbage pick up, maintenance of public parks) and hence was omitted. Given the recent development of the measure, we factor analyzed (principal components, varimax rotation) the 15 items to assess if the items yielded the same factor analytic results as those found by Bettencourt et al. (2001). One service delivery item relating to performing duties with unusually few mistakes exhibited high cross factor loadings and was eliminated. As shown (see Appendix A), the 14 items factor analyzed into three clear factors with at least .20 difference amongst the loadings. The loyalty, service delivery and participation dimensions had an alpha coefficient of .89, .88 and .92 respectively.

Each of the remaining measures was assessed relative to the contracting and the client organization by changing the referent in each question. Separate sections in the surveys were used so that respondents were focusing on only one referent at a time

Affective commitment to contracting and client organization. Five items developed by Meyer, Allen and Smith (1993) to measure affective commitment were used. The wording of one item was slightly modified for the client affective commitment measure in which “working for” was replaced with “working on behalf of”. The alpha coefficient for this five point Likert scale was .91 for both organizations.

Perceived Organizational and Client Support. We selected six high loading items (see Table 3) from the Survey of Perceived Organizational Support developed by Eisenberger et al. (1986). Prior studies have shown evidence for the reliability and validity of the short

POS scale (Eisenberger et al., 2001; Shore & Wayne, 1993). The alpha coefficient for this six point Likert scale was .92 for both the contract and client organization.

Felt obligation toward employing and client organization. This scale was developed by Eisenberger et al. (2001) to capture a “prescriptive belief regarding whether one should care about the organization’s well-being and should help the organization reach its goals” (p. 42). We selected three items from the seven item scale that included for example ‘I have an obligation to ___ to ensure that I produce high quality work and ‘I owe it to ___ to do what I can to ensure that service users are well served’. Respondents indicated the extent of their agreement along a seven point scale ranging from ‘strongly agree’ to strongly disagree’. The alpha coefficient was .86 for the contract organization and .92 for the client organization.

Results

Descriptive statistics for all study variables are reported in Table 1. None of the variables was marked by excessive restriction in range and the Cronbach alphas for all multi-item scales exceeded .7. We factor analyzed items (principal components, varimax rotation) capturing contractor POS, affective commitment and felt obligation and the results (Table 2) support the factorial independence of the three constructs. Table 3 presents the results of the factor analysis of client POS, felt obligation and affective commitment supporting the independence of the three constructs.

We tested the remaining hypotheses using hierarchical multiple regression controlling for job tenure and organization. We controlled for job tenure since many factors that predict organizational commitment co-vary with length of service (Mowday, Porter & Steers, 1982). As the four contractors have different contracts with the client organization, which vary in length and entail a variety of jobs, we controlled for contractor in our analyses. Dummy variables were created for the contractor organizations and entered with job tenure in Step 1

of all equations. We controlled for client POS in the regressions predicting contractor felt obligation and affective commitment; conversely, we controlled for contractor POS in the regressions predicting client felt obligation and affective commitment. Finally, alternate forms of POS and felt obligation were controlled in analyses predicting service oriented citizenship behaviors.

Hypothesis 1a predicted that contractor POS would be positively related to employees' felt obligation to the contract organization. As shown in Table 4, controlling for client POS, contractor POS ($\beta = .37, p < .01$) is positively related thus supporting hypothesis 1a. Hypothesis 1b, which asserted that employees' client POS would be positively related to their felt obligation to the client organization was also supported. Controlling for contractor POS, employees' perceptions of client support were positively related to perceived felt obligation toward the client organization ($\beta = .69, p < .01$; Table 4).

Hypothesis 2a predicted that felt obligation to the contractor would mediate the effects of contractor POS on affective commitment to the organization. This was tested following the procedures recommended by Baron and Kenny (1986) and Kenny (2006) to test mediation. First, the mediator (contractor felt obligation) is regressed on the independent variable (contractor POS); second, the dependent variable (contractor affective commitment) is regressed on the independent variable (contractor POS) and; third, the dependent variable (contractor affective commitment) is regressed simultaneously on the independent (contractor POS) and mediator (contractor felt obligation) variables. The same procedure was followed for Hypothesis 2b using the client focused variables. Mediation is present if the following conditions hold true: the independent variable affects the mediator in the first equation; the independent variable affects the dependent variable in the second equation and the mediator affects the dependent variable in the third equation. The effect of the independent variable on the dependent variable must be less in the third equation than in the second. Full mediation

occurs if the independent variable has no significant effect when the mediator is in the equation and partial mediation occurs if the effect of the independent variable is smaller but significant when the mediator is in the equation. Kenny (2006) recommends the Sobel test to determine to whether a significant reduction has occurred in the independent variable when the mediator is in the equation and thus whether significant mediation has occurred.

The first condition is met whereby contractor POS ($\beta = .37, p < .01$) is positively related to contractor felt obligation (Table 4). The second condition requires that POS be significantly related to contractor affective commitment ($\beta = .44, p < .01$). The third condition stipulates that contractor felt obligation must affect contractor affective commitment and when contractor felt obligation and contractor POS are in the equation, the effect of contractor POS must be less when contractor felt obligation is in the equation than when it is not. The results suggest that contractor felt obligation partially mediated the effect of contractor POS on contractor affective commitment. The Sobel test suggests that the reduction of the beta coefficient of contractor POS from .44 to .31 when contractor felt obligation is entered into the equation is significant ($z=2.637, p < .008$). Thus, hypothesis 2a is partially supported. Hypothesis 2b is also partially supported as shown in Table 4. Client POS ($\beta = .69, p < .01$) is positively related to felt obligation to the client organization. Client POS is positively related to affective commitment to the client organization ($\beta = .74, p < .01$) and the beta coefficient significantly reduces to .44 when client felt obligation is in the equation ($z=3.732, p < .0001$).

Hypothesis 3a predicted that contractor felt obligation would mediate the effects of contractor POS on service-oriented citizenship behavior. From the previous results, condition 1 is met. The second condition whereby POS is significantly related to service oriented citizenship behavior is also met. As shown in Table 5, POS is positively related to the loyalty dimension of citizenship behavior ($\beta = .53, p < .01$) but not to service delivery ($\beta =$

-.01 ns) and participation ($\beta = .21$ ns). Felt obligation partially mediates the effect of POS on loyalty (β reduces from .53 to .45, $z = 1.98$ $p < .0475$). Therefore Hypothesis 3a is partially supported for loyalty. As shown from Table 5, perceived contractor obligation is positively related to service delivery ($\beta = .33$, $p < .01$) but does not mediate the effects of contractor POS.

Hypothesis 3b predicted that client felt obligation would mediate the effects of client POS on service-oriented citizenship behavior. From the previous results, condition 1 is met. The second condition whereby client POS is significantly related to service oriented citizenship behavior is met in relation to the participation dimension of service oriented citizenship behavior ($\beta = .24$, $p < .05$). Client felt obligation fully mediates the effect of client POS on participation (β reduces from .24, $p < .05$ to $-.05$ ns, $z = 2.31$, $p < .0206$). However, client felt obligation did not mediate the effects of client POS on loyalty or service delivery. Therefore, hypothesis 3b is supported in relation to participation only.

In summary, perceived organizational supportiveness is positively related to employees' felt obligation toward the target of the support. Second, employees' felt obligation toward their contract organization partially mediated the effect of contractor POS on contractor affective commitment and on loyalty citizenship behaviors. Third, employees' felt obligation toward the client partially mediated the effect of client POS on client affective commitment and fully mediated the effect of client POS on participation citizenship behaviors.

Discussion

The purpose of this study was to determine whether social exchange theory formed the basis for understanding long term contracted employees' attitudes and behaviors in the context of their contracting and client organization. In addition, we set out to examine whether the processes underlying social exchange were similar in terms of how employees responded to supportiveness from the two organizations. Our findings suggest employees

distinguish between sources of support and this forms the basis of their attachment to the foci organization. Therefore, social exchange theory seems to provide the basis to understanding the employment relationship of contracted employees in explaining **their** affective commitment to different foci. Finally, our findings highlight the differential effect of contractor and client felt obligation on dimensions of service oriented citizenship behavior.

Specifically, the study confirms and extends prior research on the relationship between POS and affective commitment. Our findings are consistent with empirical research demonstrating a positive relationship between conventional POS and affective commitment (Rhoades et al., 2001) and also between client POS and client affective commitment (Liden et al., 2003). We extend research by incorporating felt obligation as the underlying explanation for how long-term contracted employees respond to perceived support from their employer and client organization. In other words, our findings illustrate how the norm of reciprocity, by giving rise to felt obligation, serves as an important mechanism to understanding how employees develop an attachment to their client organization. In light of the increasing trend towards non-traditional employment relationships, this study highlights the value of examining commitment to an external entity. It would seem that the nomological net associated with client organizational commitment appears to be similar to that of conventional organizational commitment (i.e., the antecedents to affective commitment were observed to be common across foci of commitment), thus supporting social exchange as a theoretical foundation to understanding the employment relationship of contracted employees.

Second, our study highlights that employees' felt obligation provides the basis to understanding why they engage in service citizenship behavior. In doing so, it explicitly captures the felt obligation created by the provision of benefits in the form of organizational support. Thus, our study echoes previous findings highlighting the value of social exchange

theory to understanding employee behavior (Coyle-Shapiro & Conway, 2005; Eisenberger et al., 2001). However, we depart from previous research by raising the issue of whom does the employee develop a social exchange relationship with? The thrust of prior research has focused on the employing organization and similarly, from the research on OCB, researchers have focused on the organization or individuals within the organization as beneficiaries of this form of reciprocation. We highlight in the context of contracted employees delivering a service, it seems that the client organization is in a position to influence the degree to which those employees have a felt obligation to reciprocate benefits received (i.e., perceived supportiveness). In terms of conceptualizing the beneficiaries of OCB, we suggest that additional stakeholders could be incorporated as a way of reflecting the blurring of traditional boundaries between organizations and the associated rise of “different” employment relationships.

Consistent with Bettencourt et al. (2001) and Coyle-Shapiro (2002), we find different antecedents to different dimensions of service oriented citizenship behavior. In particular, the dimensions are differentially affected by contractor and client based social exchange relationships; the former having greater predictive power in explaining loyalty and service delivery while the latter is a more important predictor of participation. It is not surprising that contractor POS and felt obligation explains loyalty behaviors as these behaviors are clearly directed at the contracting organization. Employees’ felt obligation toward their employing organization is important in explaining service delivery behaviors while their felt obligation toward the client organization is important in explaining participation behaviors (i.e., behaviors aimed at enhancing community relations). Therefore the degree to which employees feel that the client organization is supportive results in a felt obligation toward the client that in turn affects the degree to which employees engage in behaviors to *improve* the service they deliver on behalf of the client organization.

Finally, our findings support the utility of a social exchange framework to understanding the contributions of long term-contracted employees to their employing and client organization. In particular, this study finds support for the norm of reciprocity underlying organizational support theory. Thus, it would appear that the essence of social exchange theory in terms of the conferring of benefits creating an obligation to reciprocate has merit beyond the traditional employee-employer relationship. Contracted employees, in delivering a service on behalf of the client organization, formulate an evaluative judgment regarding the supportiveness of the client organization. This judgment, in turn, influences their felt obligation toward the client organization. However, the *partial* mediating role of felt obligation suggests that the norm of reciprocity may not provide a complete explanation for employees' contribution (i.e., affective commitment) to the relationship. A complementary norm, a communal norm may co-exist with an exchange norm as the basis for employee contributions. Communal norms operate when individuals provide benefits to another on the basis of a concern for the other's welfare and the receipt of benefits does not create an obligation to reciprocate (Mills & Clark, 1994). If organizational supportiveness signals to employees that the organization is concerned about meeting their needs, employees may respond by sharing a concern for the needs of the employer. There is some empirical evidence that suggests communal norms have explanatory power beyond exchange norms in predicting employees' OCB (Blader & Tyler, 2000; Coyle-Shapiro & Kessler, 2004). Particularly in the context of this study where private contracted employees are delivering a public service, they may be motivated to contribute out of a concern for the welfare of their own organization and that of the client in addition to reciprocating benefits received.

Practical implications

Managers responsible for boundary spanning employees and those concerned with managing potential dual allegiances of expatriate employees (e.g., Black & Gregersen, 1992),

have long recognized the practical importance of external commitment. Historically, relatively few employees worked off-site and thus there was little pressure to ascertain how best to approach these employees. The growth in co-employment relationships has now stimulated interest in this type of employee and this research provides some preliminary insights into how these employees might be managed more effectively.

Specifically, our findings indicate that favorable commitment attitudes toward contractor and client organizations are simultaneously possible and can, respectively, be influenced by enhanced perceptions of organizational support that instill a felt obligation. These findings are also consistent with those who have noted that the performance of contingent workers is more correlated with their job attitudes than is the case when compared to employees in traditional employment relationships (Cardon, 2003). In essence, however, these findings provide practitioners with confidence that the same human resource practices that invoke favorable responses from traditional employees will generate similar reactions among contracted employees. Specifically, prudent contracting organizations would do well to work on maintaining favorable POS perceptions from their employees who work on site for clients as these results infer that an “out of sight, out of mind” orientation would quickly destroy contractor organizational commitment. A delicate ‘balancing act’ is required here, particularly as in this case a private sector contractor is supplying services to a public sector provider. The contractor must ensure that the values and messages sent to its employees do not create any tensions for the employee working in the client organization. Where difficulties emerge in this respect there is a danger that the contracted employees feel unsupported by their employer. Similarly, client organizations, while not the employer of record, would find it in their best interests to promote a supportive environment for contracted employees working for them as there are benefits to be gained in terms of service delivery. Again this is no easy task.

The findings also suggest that some attention needs to be given to the nature of the relationship between the client and contracting organizations. As noted, the industrial relations literature (e.g., Beauvais et al., 1991) indicates that dual commitment is more likely where relations between management and unions are positive and constructive, reducing the need for the employee to choose between them when it comes to expressions of loyalty. In this case, the fact the Council and its contractors had developed a partnership approach based on co-operation and shared benefits may help explain why contracted employees were able to develop a commitment to both their employing and client organization, thereby enhancing their service oriented citizenship behavior. If organizations wish to gain these mutual benefits they would do well to establish cooperative rather than adversarial contract relations.

Limitations and Future Research

As with all cross-sectional studies, not only were we unable to rule out relationships based on reverse causality, we were also unable to empirically demonstrate our causal inferences. However, there is longitudinal evidence to support POS as an antecedent of affective commitment and OCB (Coyle-Shapiro & Conway, 2005; Rhoades et al., 2001). Other possible limitations entail our overall small sample size of 99, low response rate, and limited ability to assess non-response bias. The respondents did not differ significantly from the overall sample in terms of gender or average organizational tenure. Future studies should seek to replicate the findings reported here among contracted workers holding higher level and/or more professional jobs and who are native language speakers. Another possible limitation of this study is that all the variables were measured with self-report survey measures. Consequently, the observed relationships may have been artificially inflated as a result of respondents' tendencies to respond in a consistent manner. However, more recent meta-analytic research on the percept-percept inflation issue indicates that while this problem continues to be commonly cited, the magnitude of the inflation of relationships may be over-

estimated (Crampton & Wagner, 1994). As for our reliance on self-ratings of OCB, Putka and Vancouver (2000) note that the use of supervisory ratings may present a different problem regarding the extent to which supervisors have accurate knowledge of subordinates' actual behavior. Furthermore, there is more evidence of a halo effect in supervisory ratings than self-ratings (Lance, LaPointe & Stewart, 1994).

A final limitation of our study concerns the measurement of a number of constructs. We omitted one item from the affective commitment scale and modified an additional item from "working for" to "working on behalf of" in adapting this measure to client affective commitment. For felt obligation, we selected three items from a seven item scale developed by Eisenberger et al. (2001). Although the reliabilities of these scales are above the acceptable levels, greater work is needed on developing scales with stronger psychometric properties for use in non traditional employment contexts.

A number of avenues could be explored with future research. First, considerable empirical work exists that examines the antecedents of POS in the conventional employee-organization context. However, little is known about the factors that influence the development of external or client perceived organizational support. We would hypothesize that the creation of client perceived organizational support may be influenced by the terms of the contract **such as** the benefits and working conditions provided to employees (i.e., are contracted employees treated comparably to client employees). Additionally, given that the delivery of service is monitored, how the contracting organization views the monitoring activity may influence how they react to events in the service delivery process. Finally, how management in the contracting organization communicates information about the recipient organization may positively or negatively shape employees' perceptions of how supportive the client organization is. In contrast to traditional POS where employees develop

perceptions based on their own, direct experiences, in the case of client POS, this may be subject to greater indirect influences (i.e., social information processing effects).

Second, our sample consisted of private sector contracted employees delivering a public service and future research could examine the extent to which these employees identify with the public service and whether this attachment influences the willingness of employees to go beyond the call of duty in engaging in citizenship behavior to benefit the community and the extent to which communal norms may underpin their employment relationship. In addition, the broader concern of how employees come to define themselves in the face of multiple organizational attachments (i.e., organizational identification) is worthy of further study.

This study suggests that greater integration of the social exchange and commitment literatures would not only be beneficial but is strongly needed. Our research considered affective but not continuance or normative bases of organizational commitment. The exchange basis for continuance commitment has a long tradition of inquiry but normative commitment (i.e., an employee's feelings of obligation to remain with an organization, Meyer & Allen, 1997) has lagged. We would hypothesize, for example, that strong feelings of obligation would be even more predictive of normative commitment than affective commitment.

Finally, future research is needed to verify that scales developed in conventional organizational contexts are generalizable to less traditional settings (i.e., exhibit standard psychometric properties without deleting items). Moreover, given the rise of non traditional employment relationships, additional research is needed to confirm that all constructs linked to an organizational referent are empirically distinguishable when employed concurrently.

Conclusion

Managing long-term contracted employees effectively has the potential to create “win-win” scenarios for contractors and client organizations alike. Since increasing numbers of businesses are predicated on long-term relationships, as in the case with this city government and its contractors, a fuller understanding of these new co-employment relationships are needed. We hope this study begins to fill this void.

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TABLE 1 Descriptive statistics and correlations

	<i>Mean</i>	<i>S.D</i>	1	2	3	4	5	6	7	8	9	10
1. Job tenure	6.66	8.05										
2. Contractor POS	4.06	1.60	-.12	(.92)								
3. Contractor felt obligation	5.39	1.28	.02	.39	(.86)							
4. Contractor affective commitment	3.36	1.62	-.11	.55	.50	(.91)						
5. Client POS	3.87	1.72	.04	.47	.28	.36	(.92)					
6. Client felt obligation	4.95	1.59	.31	.13	.42	.15	.61	(.92)				
7. Client affective commitment	3.53	1.75	-.04	.17	.34	.45	.61	.65	(.91)			
8. OCB: service delivery	5.74	1.04	.08	.25	.29	.24	.30	.36	.29	(.88)		
9. OCB: loyalty	4.33	1.67	-.14	.64	.52	.62	.37	.24	.35	.44	(.89)	
10. OCB: participation	5.13	1.39	.06	.36	.40	.38	.35	.43	.40	.65	.57	(.92)

Correlations > .25 are statistically significant at $p < .01$. Correlations > .17 are statistically significant at $p < .05$.

TABLE 2
Results of factor analysis of contractor affective commitment, POS and felt obligation

Items	<i>Factor</i>		
	1	2	3
___cares about my opinions	.89	.26	.10
___ really cares about my well-being	.88	.28	.08
___is willing to help me when I need a special favour	.85	.20	.20
___ cares about my general satisfaction at work	.83	.17	.07
___strongly considers my goals and values	.76	.35	.12
___shows very little concern for me R	.62	-.08	.21
I feel like “part of the family” at ___	.13	.89	.16
Working for___ has a great deal of personal meaning for me	.36	.83	.17
I feel that ___’s problems are my own	.42	.79	.15
I feel “emotionally attached” to ___	.34	.78	.28
I feel a strong sense of belonging to ___	-.02	.67	.12
I have an obligation to ___ to ensure that I produce high quality work	.10	.12	.88
I owe it to ___ to give 100% of my energy to achieving ___’s goals while I am at work	.19	.19	.87
I owe it to ___ to do what I can to ensure that service users are well served	.20	.34	.77
Eigenvalue	7.01	2.03	1.52
Percent of variance	50.10	14.51	10.92

R reversed scored

TABLE 3
Results of factor analysis of client affective commitment, POS and felt obligation

Items	<i>Factor</i>		
	1	2	3
___cares about my opinions	.86	.27	.22
___ really cares about my well-being	.82	.36	.21
___ cares about my general satisfaction at work	.79	.29	.23
___shows very little concern for me R	.76	.35	.28
___is willing to help me when I need a special favour	.75	.32	.34
___strongly considers my goals and values	.72	.01	.08
I feel like “part of the family” at ___	.29	.84	.09
I feel that ___’s problems are my own	.26	.83	.23
I feel a strong sense of belonging, working on behalf of ___	.15	.82	.20
I feel “emotionally attached” to ___	.21	.81	.35
Working on behalf of___ has a great deal of personal meaning for me	.32	.77	.36
I owe it to ___ to give 100% of my energy to achieving ___’s goals while I am at work	.26	.25	.88
I have an obligation to ___ to ensure that I produce high quality work	.26	.24	.88
I owe it to ___ to do what I can to ensure that service users are well served	.33	.46	.70
Eigenvalue	8.39	1.63	1.13
Percent of variance	59.94	11.69	8.07

R reversed scored

TABLE 4
Results of hierarchical regression analyses predicting contractor felt obligation, contractor affective commitment, client felt obligation, and client affective commitment

Predictor	<u>Contractor felt obligation</u>		<u>Contractor affective commitment</u>			<u>Client felt obligation</u>		<u>Client affective commitment</u>		
Step 1: Demographics										
Contractor Organization										
CC2	-.11	-.13	-.00	-.04	.01	-.10	-.04	-.07	-.02	-.01
CC3	-.05	-.17	.02	-.14	-.08	.17	-.05	.22*	-.08	-.06
CC4	-.14	-.13	-.18	-.19	-.14	.15	.03	.19	.06	.05
Job tenure	.08	.12	-.06	-.04	-.08	.24*	.25**	-.17	-.14	-.26**
Step 2:										
Contractor POS	---	.37**	---	.44**	.31**	---	-.06	---	-.10	-.07
Client POS	---	.21	---	.18	.12	---	.69**	---	.74**	.44**
Step 2:										
Contractor felt obligation	---	---	---	---	.37**	---	---	---	---	---
Client felt obligation	---	---	---	---	---	---	---	---	---	.43**
Change in F										
Change in R ²	.52	14.23	1.60	21.25**	16.91**	3.57**	36.27**	1.68	37.40**	18.08**
F	.02	.24	.06	.30	.10	.14	.39	.07	.42	.09
F	.52	5.19**	1.60	8.62**	11.11**	3.57**	16.31**	1.68	14.91**	17.38**
Adjusted R ²	-.01	.21	.00	.32	.46	.10	.49	.05	.47	.55

Table 5
Results of hierarchical regression analyses predicting service oriented citizenship behavior using contractor and client antecedents

Predictor	Service-oriented Citizenship Behavior								
	<u>Loyalty</u>			<u>Service delivery</u>			<u>Participation</u>		
Step 1:									
Contracting Organization									
CC2	-.06	-.10	-.07	.04	.05	.10	-.14	-.16	-.12
CC3	-.21*	-.37**	-.33**	-.06	-.13	-.07	.05	-.06	-.02
CC4	-.30**	-.28**	-.26**	-.13	-.10	-.08	-.06	-.05	-.05
Job tenure	-.03	.01	-.05	.10	.11	.05	.08	.10	.00
Step 2:									
Contractor POS	---	.53**	.45**	---	.11	-.01	---	.28*	.21
Client POS	---	.27**	.16	---	.28*	.09	---	.24*	-.05
Step 3									
Contractor felt obligation	---	---	.22*	---	---	.33**	---	---	.20
Client felt obligation	---	---	.10	---	---	.18	---	---	.37**
Change in F	3.40*	49.62**	6.56**	.38	5.95**	7.64**	.64	10.14**	8.98**
Change in R ²	.13	.46	.05	.02	.11	.13	.02	.18	.14
F	3.40*	21.23**	19.55**	.38	2.26*	3.86**	0.64	3.90**	5.70**
Adjusted R ²	.09	.56	.61	-.02	.08	.19	-.01	.15	.29

* $p \leq .05$; ** $p \leq .01$

APPENDIX A

Results of factor analysis of service oriented citizenship behavior

Items	<i>Factor</i>		
	1	2	3
Partic: Make constructive suggestions for service improvement	.85	.30	.14
Partic: Give others creative solutions reported by the community	.83	.30	.16
Partic: Contribute ideas for improving communications with the community	.83	.17	.34
Partic: Encourage colleagues to contribute ideas and suggestions for service improvement	.79	.28	.27
Partic: Review information on ___'s services	.63	.27	.31
SD: Follow service guidelines with extreme care	.08	.84	.18
SD: Conscientiously follow guidelines for interacting with the community	.21	.84	.06
SD: Follow up requests from the community in a timely manner	.38	.74	.00
SD: Demonstrate exceptional courtesy and respect to the community, regardless of circumstances	.43	.69	.17
SD: Have a positive attitude at work	.41	.63	.33
Loy: Say good things about ___ to others	.17	.12	.91
Loy: Tell family and friends how good ___'s services are	.26	.09	.82
Loy: Tell outsiders that ___ is a good place to work	.12	.08	.81
Loy: Actively promote ___'s services	.40	.20	.76
Eigenvalue	7.27	2.01	1.18
Percent of variance	51.98	14.35	8.45

Note: Partic = participation, SD = service delivery, and Loy = loyalty.