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The Employee-Organization Relationship: Where Do We Go From Here?

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Abstract

While there is a great deal of literature on the employee-organization relationship, we argue for a number of needed developments. The status of EOR theory is first discussed, and the assumptions associated with popular frameworks, including who is party to the relationship, the norm of reciprocity as a functioning rule, and the value of the resources exchanged. Next, areas of underdevelopment in the EOR literature are presented with a spotlight on specification of agents, what is being predicted, placing the EOR in context, and micro- and macro-levels of the EOR. The final section of the article provides recommendations for future research on the EOR, focusing on methods, relevance, diversity, managerial implications, and employee implications.

The employment relationship literature has gained huge popularity in the last 20 years, in large part due to the changes in employee-organization relationships (EORs) occurring in business between employees and employers. The EOR is "*an overarching term to describe the relationship between the employee and the organization*" (Shore and colleagues, 2004, p. 292) including both micro concepts such as the psychological contract (PC) and perceived organizational support (POS), and macro concepts such as the employment relationship (ER). Each approach to understanding the EOR has strengths and weaknesses, both theoretically and empirically. In this article, we review the current state of the EOR literature, and raise questions about the limitations of current theory and research. Subsequently, we make recommendations for the EOR literature going forward.

Status of EOR Theory

Research on the EOR has drawn upon social exchange (Blau, 1964) and the inducements-contributions model (March & Simon, 1958) to provide the theoretical foundation to understanding the employee and employer perspectives to the exchange. Although different views of social exchange exist, there is consensus amongst theorists that social exchange involves a series of interactions that generate obligations to reciprocate (Cropanzano & Mitchell, 2005). In essence, three aspects are fundamental to social exchange: relationship, reciprocity and exchange. A social exchange relationship begins with one party bestowing a benefit to another. If the beneficiary reciprocates, and then a series of benefits exchanges occur, this creates feelings of mutual obligation between the parties. Over time, the relationship can then be characterized as one where the exchange partners trust each other to reciprocate benefits received. Trust is required between the parties to social exchange because there is some inherent risk that the benefits provided will not be returned

(Cotterell, Eisenberger, & Speicher, 1992; Eisenberger, Cotterell, & Marvel, 1987) since the nature and timing of these benefits are not specified (Blau, 1964). Therefore, social exchange relationships involve recurring exchanges of benefits in which both parties understand and abide by the "rules of engagement" – the bestowing of a benefit creates an obligation to reciprocate.

The inducements-contributions model (March & Simon, 1958) views the employment exchange as one where the organization offers inducements in return for employee contributions. Individual employees are satisfied when there is a greater difference between the inducements offered by the organization and the contributions given in return. From the organization's perspective, employee contributions need to be sufficient enough to generate inducements from the organization, which in turn need to be attractive enough to elicit employee contributions. Although March and Simon (1958) did not make it explicit, they viewed the exchange relationship as ongoing but contingent upon an employee perceiving greater imbalance (in their favour) between the contributions they need to give in return for organizational inducements. Thus, the inducements-contributions model is based on a reciprocal exchange between an employee's contribution and the organization's inducements.

These two frameworks have been widely adopted as the basis for EOR research. However, they make a number of assumptions regarding (a) who is party to the relationship, (b) the norm of reciprocity as the functioning rule, and (c) the value of the resources exchanged. Each of these is of considerable importance to understanding exchange relationships yet for the most part they have remained ignored or implicit in the research. We now turn to outlining these assumptions and the challenges they present for theory development.

Assumptions Underlying the EOR

Relationship with whom?

Who are the parties in the EOR? The implicit conjecture in most studies is that the individual employee and the organization enter into a relationship. However, since the organization is made up of multiple potential exchange partners (i.e., agents), it is not clear who the employee considers when answering questions about this relationship. This is partially a methodology problem since research on the EOR has almost exclusively used surveys, and asks participants questions about the "organization". But it is also a theoretical problem since the OB and HR literatures rarely if ever specify what is meant by the organization in their theorizing about the organization. In fact, if the organization is represented by agents as well as coalitions and groups, and depends on the individual employee's perception, it could be argued that each employee works for a different organization!

Underlying the examination of the employee-organization relationship are two assumptions: (a) the employee attributes the organization with humanlike qualities, a process referred to as anthropomorphization (Levinson, Price, Munden, Mandl & Solley, 1962) and (b) from the organization's perspective, organizational agents pursue the organization's interests in the employment relationship with employees. The anthropomorphism of the organization (currently visible in Organizational Support Theory and Psychological Contract Theory) can be traced to Levinson et al. (1962) who argued that employees view actions by agents of the organization as actions by the organization itself. This personification of the organization is facilitated by the fact that organizations have legal, moral and financial responsibilities for the agents of the organization (Eisenberger, Huntington, Hutchinson & Sowa, 1986). Therefore, in EOR research, the assumption is made that employees view all possible agents and contract makers (even administrative contract makers such as human resource policies and mission statements) bundled into one "humanlike" contract maker in such a way that the employee has a relationship with a single entity (i.e., the organization).

The idea of anthropomorphism has been subject to criticism in other literatures (Sullivan, 1995; Tam, 1996) but has evaded scrutiny in employment relationship research (an exception is Conway & Briner, 2005). Consequently, there have been no attempts to examine whether employees personify the organization and if so, how this process occurs. Levinson et al. (1962) suggested that employees perceive the organization as a benevolent guardian role based on transference taken from psychoanalytic theory. The idea of the organization acting benevolently is visible in organizational support theory where an individual is assumed to attribute malevolent or benevolent intentions to the organization based on organizational policies and practices (Aselage & Eisenberger, 2003; Eisenberger et al., 1986; Shore & Shore, 1995). However, for personification to occur, employees need to attribute organizational policies and decisions to organizational representatives, or agents, carrying out the directives from the principals (i.e., owners) versus attributing those decisions to the personal inclinations of organizational representatives.

The notion of personification gives rise to a number of questions. Given the importance of employee attribution to the personification process, which organizational agents might play an important role in this process? What happens when employees experience contradictory treatment from different agents and how does the attribution process affect the extent to which employees personify the organization? Following from this, it would seem that personification is more likely to occur when employees perceive that organizational representatives are acting in concert with organizational interests so that they attribute decisions made by agents as reflecting favourable or unfavourable intentions toward them. Furthermore, it is likely that individuals differ in terms of their tendency to personify based on actions of organizational agents. At present, there is no research that explicitly asks employees who they have in mind (i.e., which organizational agents) when they answer questions about the EOR. Furthermore, while personification may occur for some employees and in some situations, there may be individuals who see their relationship with the organization as comprising a number of separable relationships with multiple organizational agents. Cultural values may also play an important role in the degree to which employees view the organization in a benevolent guardian role in the process of personification. In particular, paternalism which describes people in authority assuming the role of parents and the associated obligation to support and protect others in their care (Redding, Norman & Schlander, 1994) may be an important sociocultural value in explaining an individual’s schemata about their relationship with the organization.

With the exception of principals, the organization cannot be party to the employment relationship except through agents that represent them. Irrespective of who is taken as an agent of the organization in terms of level of managerial hierarchy, an assumption is made in the EOR literature that managers, as organizational agents, act in concert with the interests of the organization. In other words, managers are assumed to adopt a role relationship in which actions and decision are guided by and also promote the interests of the organization. However, we argue that interests other than those of the organization may exert an important influence on the extent to which managers enact their role as organizational agents. Hence, the manager’s own self interest or their consideration of others’ interests (specific employees or groups of employees) may be secondary to the organization’s interests in how they manage the employment relationship. For example, a manager may make a promotion or hiring decision that is more aligned with their own self interest than with the best interests of the organization. The literature on person-organization fit shows how organizational representatives seek employees that "fit" with the organization or job (Kristof, 1996; Kristof-Brown, A.L., Zimmerman, R.D., & Johnson, 2005). Oftentimes, the informal methods used by organizations to assess fit (e.g., unstructured interviews) would certainly allow managers to choose applicants that fit with their own personal interests or the interests of a particular group that the manager identified with. Note also that managers may not consciously choose to pursue self-interest, but may in fact assume the presence of an alignment of interests between themselves and the organization such that the manager's judgments of fit would support organizational interests. Thus, we argue that issues related to interests need more careful thought in the EOR literature.

While the majority of the literature on the EOR has been silent on the question of whether *interest* plays an important role in work relationships, recent research has begun to discuss the significance of this issue. Sparrowe and Liden (1997) presented a model of leadership which specifically explicated the influence of interest on reciprocity between managers and employees. Based on Sahlins' (1972) work, they described three underlying dimensions that form the basis of different forms of reciprocal relationships. One dimension, "immediacy of returns," refers to the timing between initial presentation of a good or service and its repayment, ranging from simultaneous to indefinite reciprocation. Another dimension known as "equivalence of returns" reflects the extent to which resources exchanged are similar in value. "Interest," the third dimension, is "*the nature of the exchange partners' involvement in the exchange process and ranges from unbridled self-interest, through mutual* *interest, to interest in and concern for the other*" (Sparrowe & Liden, 1997, p. 524). Each of these dimensions in combination underlies three types of reciprocity, called generalized reciprocity, balanced reciprocity, and negative reciprocity. Thus, a core element of each of these reciprocity types is the notion of interest.

Building on these ideas, Tetrick and colleagues (2004) and Wu and colleagues (2006) have sought to understand how reciprocity operates between the employee and the organization, by creating measures of Sahlins' (1972) typology of reciprocity (generalized, balanced and negative). While also incorporating interest as an element that differentiates the three types of reciprocity, the agent involved, whether the immediate manager, top management, or human resources, is never explored. Likewise, indicators of interest to employees are never examined. What behaviours are interpreted by employees as indicating self-interest, mutual interest, or other-interest? Furthermore, in what circumstances do agents serve their personal interests at the expense of the organization or vice-versa?

The middle manager role provides an example of a situational influence on the predominance of personal or organizational interest as the basis for the EOR. Hallier and James (1997) have discussed how middle managers may have difficulty representing their own and the employer's interests simultaneously given their position within the organization. Middle managers are party to two employment relationships: as employees they have their own employment relationship with the organization and at the same time, they represent the employer in managing the employment relationship with employees. Given this duality of employment relationships, Hallier and James (1997) note, "*middle managers may be unwilling to act as surrogates for the employer in contractual settings because to do so may be seen as conflicting with other formal obligations or even their personal interests*" (p.

706). Furthermore, the authors argue that it is possible that when managers feel aggrieved by losses in their own employment relationship, they may pursue similar forms of redress in their relationship with subordinates. As Hallier and James (1997) conclude "*in trying to protect their status, influence and reputations air traffic controller managers not only subordinated employee issues to their own interests, they also attempted to disguise the presence and outcomes of employees' disaffection with their treatment* (p. 726). This study raises questions about the validity of the assumption that organizational interests provide the overriding guide to managerial decision making by suggesting that a manager's own self interest may exert an influence on how they as organizational representatives manage the employment relationship with employees.

Although the body of research on agency theory has focused primarily on the behaviour of CEOs as agents of the organization and sought to align interests through behaviour-oriented or outcome-oriented contracts (Shore, Porter, & Zahra, 2004), this literature has also assumed that organizational executives are rational decision makers who seek to align employee interests with organizational interests. Recent research raises questions however as to whether agency theory, with assumptions of rational self-interest, provides the best theoretical explanation for relations between principals and agents or employees of the firm. In fact, Bottom, Holloway, Miller, Mislin, & Whitford (2006) concluded that social exchange theory may provide a stronger explanation for such relations. Social exchange theory explicitly recognizes differing interests and their influence on relationships, suggesting the importance of considering agent interests in models of the EOR (Sparrowe & Liden, 1997).

Another potential motive in guiding managerial action is others' concern. As previously mentioned, it is broadly assumed that managers enact a professional role with those they manage. However, viewing managers as impersonal rational decision makers ignores the possibility that they may develop personal ties with some of their employees and it is this personal element (i.e. the pursuance of other's interests) that may influence the extent to which managers' adhere to the interests of the organization in making decisions that affect the employment relationship of employees. The impact of liking is captured by leader member exchange (LMX) where managers differentiate between subordinates forming contractual relationships with some and more encompassing relationships with others (Liden & Graen, 1980). In addition, research on rating errors has often cited a desire to be liked by subordinates as a reason for leniency (Saal & Knight, 1988). Thus, there is some empirical evidence that suggests managers may act in ways that are consistent with their own self interest as well as the interests of their employees.

The assumption that managers automatically follow the organization's interests as obedient agents should not be taken as given – self interest and other interest may override the organization's interests in some circumstances. Undoubtedly, this has implications for whether employees view actions of agents as actions of the organization hence facilitating or inhibiting the personification process. On the other hand, employees may not be privy to the agent's motives and consistency of those motives with the interests of the organization. Thus, employees may not be aware when the agent is acting in a manner that is counter to the prevailing views of what is best for the organization. Finally, organizations consist of multiple coalitions representing different sets of common interests such as functional area, educational background, occupation, culture, and ethnicity, to name a few. Employees likely differ in the extent to which they are aware of the political landscape and the influence that interests may play as agents develop and enact the EOR.

Another literature that has suggested potential reasons for lack of alignment between managerial and organizational interests is the organizational commitment literature. The view that individuals may have commitments to multiple organizations or identities has a long history in both psychology and sociology (Gunz & Gunz, 1994). Gouldner (1957, 1958) posed that some employees are “locals” (i.e., committed to the employing organization, and others are “cosmopolitans” (i.e., committed to the profession). Likewise, the union commitment and dual commitment literatures have posed that commitment to the employer may undermine commitment to the union and vice-versa (Barling, Fullagar, & Kelloway, 1992; Fullagar & Barling, 1991). Both the professional and union commitment literatures imply that individuals may align themselves with the interests of some groups or organizations in which they hold membership and not others, suggesting that the employing organization may not always serve as the primary focus of an employee’s or manager’s interests.

Social identity theory may also hold some promise in developing our understanding of the degree of congruency between managers’ interests and organizational interests. Ashforth and Mael (1989) and others (Dutton, Dukerick & Harquail, 1994) argue that the greater an individual’s identification with the organization, the greater an organization’s interests are incorporated into the self concept and consequently, the greater the likelihood that an individual will act with the organization’s best interests in mind. Therefore, organizational identification may be an important theoretical basis for understanding whose interests drive managerial behaviour and also how employees judge those behaviors through their evaluation of the perceived strength of a manager's organizational identification. Clearly, more research is needed on the situational and individual factors that influence the predominance of the interests that are acted upon by organizational agents, as well as employee interpretations of those actions.

The norm of reciprocity

Underlying social exchange theory and the inducements-contributions model is the idea of reciprocity where both parties adopt a contingent view of the exchange; one party's contributions are based on the other party's previous contributions following an adherence to the norm of reciprocity and the reciprocation of benefits received. The norm of reciprocity has been used to explain the negative attitudinal and behavioural consequences of perceived contract breach by employees (Shore & Tetrick, 1994) and the positive consequences of how employees respond to perceived organizational support (Eisenberger et al., 1986). Along a similar vein, the norm of reciprocity has been the basis to explaining employees' affective commitment in response to employer defined employee-organization relationships (Tsui et al., 1997) and also for the link between employment relationships as defined by the employer and organizational performance (Wang, Tsui, Zhang & Ma, 2003). Furthermore, managers reported a negative relationship between their perception of employee breach of contract and managerial evaluations of employees' citizenship behaviors and performance (Tekleab & Taylor, 2003). Therefore, the empirical evidence seems to support the idea that the parties in the employment relationship orient their action towards a general norm of reciprocity.

While we are not challenging the assumption that reciprocity is an important explanation underlying the development, maintenance and disruption of an employment relationship, we are, however, challenging the over-emphasis given to the norm of reciprocity in employment relationship research. There are grounds to suggesting that adopting an exclusive reliance on exchange as the basis for the employment relationship may have its limits. First, Meglino and Korsgaard (2004) note that the rational self interest assumption is pervasive in applied psychological theory despite criticisms that hedonistic-based psychological models fail to provide complete explanations for behaviours aimed at the benefit of others (Batson, 1990). Batson and Shaw (1991) found that by inducing an empathetic concern for others, individuals engaged in helping behaviours that were inconsistent with their own self-interest. Meglino and Korsgaard (2004) define other orientation as "*the dispositional tendency to be concerned with and helpful to other persons*" (p. 948) and empirically find support for this disposition as a boundary condition on models that are strictly based on the rational self-interest principle (Lester, Meglino & Korsgaard, 2002). Second, looking at the conditions necessary for the norm of reciprocity to operate, Blader and Tyler (2000) note reciprocation efforts by employees are unlikely to occur if those behaviours are not detected by the organization, not credited to the individual and go unrewarded. Therefore, how does one explain positive organizational behaviours in situations where the likelihood of detection, credit and reward are small?

Coyle-Shapiro and Conway (2004) argue "*an exclusive reliance on exchange based frameworks may not do justice to the range of norms that may govern how individuals act in their relationship with their employer…*" (p.21). A complementary relational framework based on employees' concern for the welfare of the organization may help explain positive organizational behaviours beyond a reciprocation motive. This framework has been termed communal exchange (Clark & Mills, 1979) and is characterized by the giving of benefits to meet the needs of the other party without expectation that these benefits will be reciprocated. Communal relationships have for the most part been studied in interpersonal relationships (e.g., friends and romantic partners) and the empirical work has generally (although not exclusively – see Blader & Tyler, 2000 for exception) been conducted under experimental conditions.

The empirical evidence supports the distinction between communal and exchange relationships in interpersonal relationships (Mills and Clark, 1994) in terms of their underlying basis and the norms governing them. Mills and Clark (1984) argue that communal relationships are not *long-term exchange relationships* and there are significant differences between the two. First, in terms of the norms perpetuating the relationship the exchange norm involves the giving of benefits in order to receive future benefits relying on the obligation to reciprocate benefits received. Communal norms involve the giving of benefits in response to another party's needs or to please the other party and the giving of benefits does not create an obligation to reciprocate. In support of this, Clark and Mills (1979) found that individuals responded positively to reciprocation for past benefits when they desired an exchange relationship but negatively when they desired a communal relationship. Second, the two relationships differ in terms of the process of monitoring of the other party. Clark (1984) found that individuals induced to desire a communal relationship avoided keeping track of the inputs provided by the other. Individuals induced to desire an exchange relationship, however, took steps to keep track of the inputs provided by the other. Therefore the evidence seems to point to the distinctiveness of the two relationships and there is some preliminary empirical evidence suggesting that a communal framework explains additional variance in OCB beyond the effects of exchange orientation (Blader & Tyler, 2000; Coyle-Shapiro & Kessler, 2004).

Recent research by Shore, Tetrick, Lynch, and Barksdale (2006) also calls into question the ubiquity of the norm of reciprocity in governing the EOR. They distinguished between two types of exchange, social and economic exchanges, which govern the employee-organization relationship. While social exchange operates based on the norm of reciprocity, economic exchange focuses on limited and bounded obligations that reflect basic expectations for the employment relationship. According to Shore et al. (p. 839) "*Economic exchanges do not imply long-term or open-ended and diffuse obligations, but rather emphasis is on economic agreements such as pay for performance*." They found results for social exchange were consistent with the norm of reciprocity, showing that this type of relationship was associated with higher levels of citizenship, in-role performance, and lower absence and tardiness. In contrast, economic exchange did not relate to any of these outcomes once social exchange was considered. Perhaps economic exchange signifies to employees a form of organizational self-interest that does not in fact operate in a like manner as social exchange, given this type of arrangement does not require significant organizational investment or commitment. This raises questions as to what rules operate when economic exchange is strong, if not the norm of reciprocity.

To develop our understanding of how the employee-organization relationship operates, we need to direct attention to non reciprocal mechanisms that may underpin the relationship. A starting point may be to explore the boundary conditions of exchange based frameworks and the norm of reciprocity. For example, in a sociocultural environment where paternalism is a strong value, an obedience norm may provide greater insight into how the employee-organization relationship operates. In this context, employees may provide benefits to the organization because they recognise the authority of organizational representatives to command those benefits.

In this situation, an obedience norm may have greater prominence than a norm of reciprocity in explaining the "relationship". More broadly, it is possible that a number of norms underpin the employment relationship and one may predominate dependent upon the context in which the relationship develops, the stage in the relationship, and the motives of the parties involved. Future research is needed to fully explore the mechanisms through which relationships develop, are maintained, transformed or terminated.

What is exchanged is valued

An implicit assumption underlying social exchange theory is that the resources exchanged are valued by the recipient. As noted by Eisenberger, Armeli, Rexwinkel, Lynch and Rhoades (2001), employees are motivated to compensate beneficial treatment from the employer by acting in ways valued by the organization. From the employer's perspective, it is thought that they value employee dedication and loyalty (Rhoades & Eisenberger, 2002). Gouldner (1960) distinguished between two types of reciprocity: heteromorphic and homeomorphic reciprocity. Heteromorphic reciprocity occurs when the content of the exchange between two parties is different but equal in perceived value. Homeomorphic reciprocity occurs in exchanges where the content or the circumstances under which things are exchanged are identical. It is the former, the exchange of resources perceived as equal in value that is implicitly captured in employment relationship research.

Researchers assume that the inducements (tangible and/or socioemotional) offered by the employer are valued by employees and that employee contributions (organizational commitment and OCBs) are valued by the employer. If we take OCBs (widely considered as an outcome of the exchange relationship) for example, there are a number of reasons why the employer may not value them. Bolino, Turnley and Niehoff (2004) argue that there are alternative reasons why employees engage in OCB other than to reciprocate the employer for past treatment. Individuals may engage in OCB following transgressions to reduce guilt (an employee having spent time on personal activities at work may engage in acts of citizenship as a way of alleviating felt guilt). Arguably, from the employer's perspective, not having employees engage in personal activities during work time may be of greater value than having employees spend time on personal matters and engaging in OCB. Furthermore, Bolino et al. (2004) argue that OCB might negatively influence organizational functioning and it is likely that many citizenship behaviors occur at the expense of in-role behaviors rather than in addition to them. Therefore, it is conceivable that OCBs may not be of perceived value to employers under all circumstances.

Taking organizational inducements such as job security and career development, there is evidence that Generation X-ers may not find these particularly valuable benefits (Smola & Sutton, 2002) in an exchange relationship with their employer preferring inducements that facilitate greater work-life balance. This serves to illustrate that what is assumed to be valuable commodities for exchange may not, in reality be valued or valued enough to prompt the recipient to reciprocate a resource that is valued. Theorizing on the resources exchanged has been limited by the assumption that what is exchanged is valued in the exchange relationship. Maybe researchers need to revisit Gouldner's (1960) proposition that benefits are more valued when (1) the recipient is in greater need (2) the donor cannot afford (but does) to give the benefit (3) the donor provides the benefit in the absence of a motive of self interest and (4) the donor was not required to give the benefit.

Greater theoretical and empirical work is needed in terms of understanding what resources are perceived as valuable in the employment relationship and how the respective parties communicate or signal this. From Gouldner's (1960) perspective, the need of the recipient and the cost/sacrifice of the donor seem to be important to the resource being valued. In addition, the nature and magnitude of the resources, the immediacy or delay in the giving of the resources as well as the method by which the resources are given may also influence the value judgment. The key issue is what are the consequences of valued (or unvalued) resources for the relationship?

Underdevelopment in the EOR

Having reviewed the assumptions made regarding the relationship, how the relationship operates and what is exchanged as part of the relationship, we now turn to issues that are underdeveloped in EOR research. In particular, we focus on (a) the specification of agents (b) what is being predicted (c) placing EOR in context and (d) levels of EOR.

Specification of agents

An underdeveloped area within the employment relationship research is the specification (or lack) of organizational agents. Here, theorizing is weak and empirically, who represents the organization has yielded a number of different positions. On one hand, researchers have selected an employee's immediate manager (Tekleab & Taylor, 2003) as representing the organization to an employee in what is conceptualized as a dyadic exchange. Alternatively, other researchers have focused on middle/senior level managers (Coyle-Shapiro & Kessler, 2002; Porter, Pearce, Tripoli & Lewis, 1998) in capturing the organization's perspective to its relationship with employees at a global level. Falling somewhere in between is using supervisors as representing the organization and the job category held versus the individual employee or employees generally (Tsui, Pearce, Porter & Tripoli, 1997).

Inevitably, the question will be raised as to whether it matters who is taken as representatives of the organization from the managerial hierarchy. Guest and Conway (2000) argue that managers need to perceive themselves as representing the organization in order to be considered as “legitimate” organizational representatives. In contrast, Shore and Tetrick (1994) propose that an employee’s immediate manager is likely to play an important role in shaping an individual’s psychological contract. This view is supported by Liden, Bauer and Erdogan (2004) who argue that the “*immediate supervisor plays a critical role as a key agent of the organization through which members form their perceptions of the organization*” (p. 228).

Do managers need to see themselves as acting as organizational agents or should employees’ views of who represent the organization be given precedence? Perhaps one way of uniting these somewhat opposing views is to consider that employees may develop multiple exchange relationships as part of their employment relationship and at the same time view managers as either full contract makers or fulfilling/breaking the terms of the exchange. Following from this, an individual may develop an exchange relationship with their immediate manager (proximal) and one with senior management (distal). It is likely that these exchange relationships differ in terms of the context and process. The distal relationship provides the context for the proximal relationship and covers elements of the employment relationship decided upon at a strategic level (pay, career development, job security) and applies to a collective of employees (based on job, function etc). The role of the immediate manager may be one of facilitating the fulfilment of, or breaking the terms of the more distal exchange. Regarding the process of the exchange, as it is more distal, it is likely that it doesn't come to the foreground until a triggering event occurs. Such a triggering event could be a layoff, restructuring, removal or addition of benefits, or policy changes. Employees may not consciously be aware of this exchange until an event happens. This exchange provides the backdrop for a more proximal exchange with an individual's immediate supervisor which may be likely to contain elements over which the supervisor is a direct contract maker (autonomy in the job) as well as their role in fulfilling or reneging on other aspects of the employment relationship.

The content of each exchange is likely to be dependent upon the strategy of the organization (Shore, Porter, & Zahra, 2004). Shore et al. discussed the differential implications of agency theory and dynamic capabilities theory for the role of the agent (manager) in the EOR. Based on agency theory, they argued that one would expect a narrow scope of exchange with the employee, and that the role assigned to the immediate manager is to put into practice formalized contracts that lay out clear expectations for the behaviour and performance of the employee. One would expect the opposite from a dynamic capability perspective whereby EORs need to be highly individualized and regularly revised by the manager to address the changing needs of the organization based on a rapidly changing environment. Therefore, theorizing on the specification and role of the agent could start from the context in which exchanges are embedded – the organizational strategy.

Predictive of?

In researching the employment relationship, what are we trying to understand and predict? It would seem from the empirical evidence that employee contributions is the outcome of interest be it attitudinal or behavioural. The main thrust of the research has focused on employer inducements as the starting mechanism and employee contributions as the outcome. Therefore, the emphasis has been on examining the contingent nature of exchanges within the relationship. Consequently, in attempting to predict employees' commitment, citizenship behaviours, and performance, the outcome domain of employment relationship research becomes all too familiar. This is not to say that the nature of exchanges is not important but we direct attention to the context in which these exchanges occur – the *relationship*.

Greater theorizing is needed in terms of understanding how relationships are developed, maintained and disrupted. As noted by Cropanzano and Mitchell (2005), there is conceptual ambiguity surrounding the causal association between the relationship and the nature of the exchange. The authors present an argument that exchanges may alter the relationship and the relationship may alter what is exchanged between the parties. Thus, both causal orderings may hold true under certain circumstances. However, the emphasis theoretically and empirically has been skewed toward the nature of the exchanges. We argue that the time has come to put the emphasis on "relationship" in employment relationship research.

The emerging body of research on positive organizational scholarship provides one lens to reorient attention towards the relationship between the employee and the organization. Positive organizational scholarship focuses on "*the generative dynamics in organizations that lead to human strength and virtue, resilience and healing, vitality and thriving, capability-building and cultivating extraordinary individuals, groups and organizations*" (Dutton, Glynn & Spreitzer, forthcoming, p.1). As noted by Quinn and Quinn (2002), positive organizational scholarship focuses on extraordinary outcomes and the processes that lead to those outcomes. Building on positive psychology (Seligman & Csikszentmihalyi, 2000) and positive organizational behavior (Luthans, 2002) Shore and colleagues (2004) argued for the importance of studying positive functional employment relationships. They stated (pp.

345-346) “*Research is clearly needed to determine how to promote employment exchange relationships that reflect positive functional behaviours on the part of both individual employees and organizations…a positive functional EOR values employees and recognizes the context in which the EOR exists”*

An important issue that has yet to be addressed is whether the content of the exchange (that is, inducements provided for contributions given) are recognized and similarly understood by the parties to the EOR. And, while there is some limited evidence that managers and employees do not agree on what is exchanged (Lester, Turnley, Bloodgood, & Bolino, 2002; Tekleab & Taylor, 2003), we expect that the answer would generally be a resounding “no.” There is a great deal of proof in the performance appraisal literature that employees and managers often do not agree on employee performance (Murphy & Cleveland, 1995) despite extensive research efforts by scholars and practitioners to create agreement between different rating sources. And, recent 360 degree feedback literature suggests that these different perspectives are not only to be expected, but can be quite meaningful (Van Fleet, Peterson, & Van Fleet, 2006). This raises a fundamental question as to whether in fact agents of the organization and the employee have a common understanding of the relationship itself. The plethora of talk shows in which relationship misunderstandings are much discussed suggests the importance and commonality of these relational issues to human beings. Given the common occurrence of such misunderstandings even between individuals, let alone between an employee and an “organization,” more research is clearly needed. We argue that it is particularly important to focus on the relationship itself, and not just what is exchanged, in the multi-cultural world in which we live and work. Assumptions about the EOR will certainly be embedded in broader cultural assumptions about relationships, and appropriate ways to maintain and enhance them (Thomas, Au, & Ravlin, 2003).

Another issue is the role of the employee in determining the EOR. Research on recruitment and job choice emphasize the importance of the employee in determining the initial employment agreement between employee and organization (Rynes, 1991). However, models of the EOR focus on the impact of organizational inducements on employee contributions, without exploring the reciprocal nature of the relationship. What happens when employees do not reciprocate adequately from the perspective of organizational agents? HR research on performance management and compensation can provide some insights, but note that these literatures are not focused on the relationship per se, but instead on what is exchanged between the employee and organization. Likewise, EOR literature does not consider the strategic intent of employees to negotiate and obtain beneficial EORs throughout the employment relationship, and not just at organizational entry. Dynamic models of the EOR must consider the employee as a critical party to both the establishment and maintenance of the relationship.

EOR in context

Much of the EOR literature has focused on the individual level of analysis (e.g., Morrison & Robinson, 1997; Eisenberger et al, 1986) and has ignored or given limited treatment to the organizational and environmental contexts in which such relationships occur. In 1996 Porter noted (p. 264) "*Probably the most significant failure of micro-OB, in my view, is that we have tended to ignore the 'O' in our studies of micro phenomena. We have clearly emphasized the 'B,' especially in recent years, but we have by and large been remiss in considering organizations as critical contexts affecting the behaviour occurring within them*." The question is what elements of organizational contexts determine the nature of the relationships that evolve within an organization? Research is needed to address antecedents of different types of EORs, and the organizational elements that contribute to these types.

A related and equally important issue are the elements of the EOR that can be managed by organizational agents for improved organizational effectiveness.

Many recent environmental changes have influenced organizational leaders to focus on organizational design (Galbraith, 2002). These environmental changes, and subsequent design changes, have also affected the employee-organization relationship. One important change has been greater investment in research and development to create value for customers by improving products. R&D depends on the knowledge and creativity of the engineers or scientists who work for the firm. Organizations seek to retain critical employees through the EOR, but what is not yet known is whether and how organizations successfully establish and maintain EORs for these critical employees.

A second change (Galbraith, 2002, p. 9) "*is that companies now compete in a world of temporary advantage. The cycle time for just about everything is being reduced…the more time that is taken out of the business processes, the more money is available for other investments. Similarly, the time duration during which a competitive advantage lasts is also being reduced*." Such competitive challenges and associated pressures for on-going surveillance and management of the environment also mean that organizational leaders may not recognize or have adequate time to manage important elements of the EOR.

These types of changes in the environment have led to increasing pressures on executive leaders to attend to organizational design. Every employee knows what a "reorg" is and many anticipate the effects of such design changes with dread.

Oftentimes, redesign efforts appear to address the environmental challenges faced by the organization, but don't incorporate the redesign of jobs, associated training and development of individuals to handle such changes, or the implications for the EOR. These implications are not lost on employees, and their perceptions of the changes in the EOR and response to those changes can contribute to the success or failure of the organization. More research is clearly needed that is both cross-level and longitudinal to address the complexity of organizational change and associated effects on employees, as well as long-term organizational effectiveness.

EOR as a micro- versus meso versus macro concept

While the EOR is discussed as existing at multiple levels (Shore & colleagues, 2004), as yet, little theoretical development has taken place that specifically attempts to address differences and similarities (a) in meaning of the EOR across levels, and (b) in underlying mechanisms for producing the EOR across levels. Likewise, influences both upward from the individual-level to the group- and organizational-levels and downward from the upper levels to the individual-level could potentially occur. However, as yet, limited development and testing of such ideas has transpired (Shore et al., 2004).

Recommendations for Future Research on the EOR

From our review of the EOR literature above, a number of recommendations come to mind. Below, we will recommend some needed developments, both methodological and theoretical.

Recommendation 1: Use a variety of methods to better address key questions.

Several of the needed research areas described above will require a greater variety of methods than has been used previously in the EOR literature. The "relationship with whom?" question could be enriched via qualitative approaches such as interviews and the use of critical incidents. Exploration of the agent or set of agents who are “the face of the organization” could best be studied via such open-ended approaches. Likewise, determining the mechanisms that underlie anthropomorphism or other processes that create employee perceptions of the EOR are likely to be, at least initially, better understood through qualitative approaches.

Experiments may provide a means to systematically test major tenets of EOR theories such as the impact of and limitations of the norm of reciprocity. Likewise, tests of self- and other-interest might be effectively studied with experimental designs involving manipulations of conditions inducing various interests. In addition, studying the role of communal relationships with organizations via experiments may also help to explain the various types of EORs that evolve in organizations, and organizational actions that enhance or detract from such relationships.

Diary studies are capable of studying processes over time (DeLongis, Hemphill & Lehman, 1992) and in particular, an event-contingent procedure (Reis & Wheeler, 1991) whereby respondents record their experience of particular events (as defined by the researcher) may be highly appropriate to capturing processes and events in the relationship. This type of methodology may provide greater insight into how events (i.e. the exchange of resources) are interpreted, the context in which the event occurred, the type of norm governing an individual’s response and the consequential effect on the relationship.

Recommendation 2: More outcomes and more relevance.

Most research on the EOR has focused on predicting performance, citizenship, affective commitment, and turnover intentions. While these types of outcomes are obviously important to organizations, we suspect that other meaningful outcomes result from the employee-organization relationship. One example is the areas of health and stress. We suspect the poor employee-organization relationships would be associated with stress and mental and physical health challenges (see for example, Stamper & Johlke, 2003; Wilson, DeJoy, Vandenberg, Richardson, & McGrath, 2004). The spillover effects from a poor work environment likely have multiple negative consequences on individual's work and non-work lives. Another example is innovation and creativity (Clegg, Unsworth, Epitropaki, & Parker, 2002), both important in the current competitive organizational landscape. Logically, it seems that the EOR should be related to pressing organizational issues such as creativity and innovation, but as yet, limited research has focused on these outcomes. Finally, a greater focus on outcomes that capture the quality of the employee-organization relationship itself in terms of fulfilment of needs, quality of interaction, adaptability and identification is needed. Until the actual relationship is studied, and not just what is exchanged, it is our view that this literature will not make the types of contributions it is capable of.

Recommendation 3: Consider the impact of diversity.

A large body of literature establishes the importance of diversity in organizational settings. Of particular note are the many studies documenting discrimination in the work place, and unequal access to privilege and opportunity (see Dipboye & Colella's edited book, 2004). From an EOR perspective, discrimination in the workplace can be translated into systematic evidence of lesser inducements for some employees. Many studies of the EOR provide evidence that fair treatment (Masterson, Lewis, Goldman, & Taylor, 2000; Wayne et al., 2002, promotion opportunities (Wayne et al., 1997), and recognition by management (Wayne et al., 2002), all contribute to more positive EORs. Evidence of less than optimal treatment of women, people of colour, older workers, the handicapped, and gay and lesbian workers all suggest the importance of examining the EOR in studies of diversity.

Recommendation 4: Greater focus on managerial implications.

Most EOR research remains descriptive, with few clear recommendations for organizational leaders. What principles can be extracted from EOR research or can be applied to this literature that provides guidance to executives involved in reorganization efforts? At present, the research on psychological contract breach and violation provides some guidance as to what <u>not</u> to do, but without clear and simple principles that allow organizational leaders to enact what has been learned through scientific research. Justice theories provide one avenue for developing simple principals for managing the EOR effectively (Folger & Cropanzano, 1998). For example, adherence to principals of procedural justice can help organizations manage employees' responses to potentially negative outcomes. And, there is evidence that procedural justice enhances perceived organizational support (Wayne, Shore, & Liden, 1997; Wayne, Shore, Bommer, & Tetrick, 2002). However, this is a small solution to a big problem. That is, sustaining effective EORs in a competitive and quickly changing environment needs to be aided by solid principles of relationship management and enhancement.

Recently, management scholars have lamented the lack of impact for organizational scholars in the management and public forums. As stated by Denise Rousseau in her Presidential Address at the Academy of Management meeting in 2005, and subsequently published in the *Academy of Management Review* (2006, p. 257): "*My great disappointment, however, has been that research findings don't appear to have transferred well to the workplace. Instead of a scientific understanding of human behaviour and organizations, managers, including those* *with MBAs, continue to rely largely on personal experience to the exclusion of more systematic knowledge.*" Likewise, in a special issue in the *Academy of Management Journal* in 2005, Editors Sara Rynes and Debra Shapiro (p. 925) stated the following in their introductory article "*Recently, several of our most prominent management and organizational scholars have expressed concern over our collective failure to "matter" more in terms of the way management is practiced (Abrahamson & Eisenman, 2001; Bazerman, 2005; Pfeffer, 1998). These scholars have argued that if only we could successfully influence managers to use our research, organizations might avoid counter-productive investments in ineffective fads and fashions, simultaneously becoming both more productive and more humane.*"

At present, much research has established that the EOR is important. What is needed next is a concerted effort to make our research both practical and impactful, and to fully apply the scientist-practitioner model that is at the heart of the training paradigm in I/O Psychology. More EOR research needs to focus on solid principles, based on our body of knowledge in HR, OB, and I/O, to address fundamental management concerns about effective administration of the employee-organization relationship. This research needs to be followed by dissemination in our classrooms, textbooks, organizations, and consulting activities.

Recommendation 5: Greater focus on employee implications

Multiple disciplines have informed the EOR, including economics, industrial relations, psychology, sociology and political science (Belcher, 1974). The EOR is associated with the multi-disciplinary history of the field of HR. However, much of the EOR literature associated with the fields of management and I/O Psychology focus on helping managers by seeking ways to improve employee attitudes and behaviours such as commitment, citizenship, and performance. While this is certainly important, we want to remind our readers that the history of the HR field involves balancing management and employee concerns. Thus, we strongly encourage our colleagues to study the EOR in ways that seek to improve the lives of individual employees and the communities in which they live. EOR studies focusing on health enhancement, stress reduction, employee fulfilment, and enhanced families and communities are just a few of the possibilities.

"Today we are faced with the pre-eminent fact that, if civilization is to survive, we must cultivate the science of human relationships... the ability of all peoples, of all kinds, to live together, in the same world, at peace."

Franklin D. Roosevelt

Cited by A.J. Marrow (1952).

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