Editorial: New developments in the employee–organization relationship

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Summary
Greater understanding of the relationship between an employee and his/her employing organization has been the goal of organizational behaviour scholars for decades. Many questions have remained unanswered, and with this view in mind, the articles in this special issue examined the employee–organization relationship (EOR) from multiple perspectives. These articles provided considerable support for social exchange as a basis for understanding the EOR in diverse cultures, for different work arrangements and at the individual, dyadic, and organizational levels of analysis. Furthermore, several articles provided empirical evidence as to the boundary conditions of social exchange as a framework for understanding the EOR. Both conceptual and empirical articles examined distinctions and similarities among exchange related constructs. This special issue extends current thinking on the employment relationship by examining the role of culture and sense making in the formation of the EOR; the value of cognitive processes in the revision and evaluation of the EOR and; the contribution of the employer’s perspective to the EOR. Future research should build on this work by focusing more attention on aspects of the context as well as individual differences that may influence EORs. Finally, the employer’s perspective warrants greater attention conceptually and empirically to further our understanding of the EOR as a two-way exchange. Copyright © 2003 John Wiley & Sons, Ltd.

Social Exchange Theory

The last 15 years has seen a plethora of articles focused on exchange relationships between employees and their organizations. Much of the literature has focused on perceived organizational support (POS) (Eisenberger, Huntington, Hutchison, & Sowa, 1986) and psychological contracts (Rousseau, 1995), though some research has focused on the employer side of the employee–organization relationship (EOR) (Coyle-Shapiro & Kessler, 2002; Lewis-McCleary & Taylor, 1998; Tsui, Pearce, Porter, & Tripoli, 1997). A dominant framework for examining the employee–organization relationship

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Notes: Much of the special issue was prepared while L. M. Shore was a Visiting Professor at the University of California, Irvine.
(EOR) is social exchange (Blau, 1964), with particular emphasis on the norm of reciprocity (Gouldner, 1960). The articles in the special issue follow many of these same strictures, but with some valuable and different ways of looking at the EOR.

The articles in this special issue provide considerable support for social exchange theory. Social exchange processes were apparent in several different cultures, including the United States, China, Singapore, and Belgium. This suggests support for the universality of social exchange and the norm of reciprocity (Gouldner, 1960).

In addition, several articles in the issue suggest the influence of formal work arrangements on social exchange. Liden, Wayne, Kramier, and Sparrowe (2003) provided evidence that U.S. contingent workers developed concurrent social exchange relationships with the client organization and the agency. Ang, Van Dyne, and Begley (2003) found that foreign workers as compared with traditional workers in Singapore (both groups were ethnic Chinese) received fewer inducements, and hence reciprocated by lowering organizational citizenship behavior (OCB) and work performance. This is consistent with social exchange theory in which individuals strive for balance in their exchange relationships (Blau, 1964). Gakovic and Tetrick (2003) compared part-time and full-time U.S. employees, and concluded that social exchange is equally appropriate for understanding the EOR for these two groups. These results as a whole suggest that social exchange processes underlie the employment relationship in diverse work arrangements.

The articles in this issue also provide evidence that social exchange processes operate at several levels of analysis. While the majority of articles focused on employee perspectives of the EOR, Tekleab and Taylor (2003) found that managers’ perceptions of the EOR influenced their evaluations of employees’ OCB and performance. Furthermore, Wang, Tsui, Zhang, and Ma (2003) showed that high levels of inducements and contributions (i.e., strong social exchange that they refer to as ‘organization-focused or mutual investment’) were associated with higher levels of firm performance. Note that in the latter study the exchange focused on the relationship with employees in a job category, rather than the individual exchange with the organization.

One area of debate in the social exchange literature has to do with the proliferation of constructs (Coyle-Shapiro, 2001). In particular, questions have been raised about whether psychological contracts and POS, which are both employee perceptions, make unique contributions to our understanding of the EOR. In fact, these literatures have developed separately. Aselage and Eisenberger address the issue of how psychological contracts and POS are related, but distinct, elements for understanding the EOR. Similarly, Masterson and Stamper develop a model based on the community psychology literature, of perceived organizational membership as an overarching framework to show how multiple constructs within the EOR are both similar and different. Specifically, they argue for the impact of three underlying motives, need fulfillment, mattering, and belonging, as a basis for linking employees and organizations within the EOR. POS is considered to be motivated by belonging, and psychological contracts to be motivated by need fulfillment. Thus, both of these articles argue that perceived organizational support and psychological contracts are distinct, but in different ways.

Pursuing the issue of construct overlap, Johnson and O’Leary-Kelly (2003) compare psychological contract breach and organizational cynicism as reactions to different types of social exchange violations. Supporting the idea that social exchange expectations underlying contract breach and cynicism are different in terms of their person specificity, the authors found that cynicism and contract breach have differential effects on several outcome variables. Specifically, contract breach had direct effects on employee behavior, including performance and absenteeism, whereas cynicism had direct effects on job satisfaction, commitment, and emotional exhaustion. While they argue that contract breach and cynicism are both reactions to the undermining of the social exchange relationship, contract breach leads to behavioral responses whereas cynicism leads to affective responses. Thus, psychological
contract breach and organizational cynicism are related but distinct concepts that appear to act in
different ways on individual outcomes.

Another contribution of the articles in the special issue has been to provide evidence of boundary
conditions relating to social exchange relationships in the EOR. Wang et al. (2003) found that or-
ganizations following a prospector strategy benefit more in terms of the impact on organizational perfor-
manence from having an under-investment approach rather than a mutual investment approach to the
employment relationship. Furthermore, an organization’s ownership structure has a moderating effect
such that state-owned firms achieved better organizational performance when they adopt a mutual
investment approach, whereas domestic privately owned firms achieved better organizational perfor-
manence when they adopt an under-investment approach to the employment relationship. Thus, at the
macro level, business strategy and ownership appear to be important determinants of the optimum
conditions for organizations to pursue a social exchange relationship with employees. Ang et al.
(2003) find evidence for the effects of task interdependence on how individuals view their employment
relationship and how they contribute to that relationship. Specifically, when task interdependence is
high, social comparison processes may heighten contrast effects between foreign and local employees
and these, in turn, affect how foreign employees interpret their exchange relationship and contribute to
the EOR.

Together, these articles suggest that social exchange processes underlie both employees’ and
employers’ views of the employment relationship; social exchange appears to be appropriate for
understanding the employment relationship of a variety of non-traditional employment relationships;
varied constructs that operationalize social exchange seem to make a unique contribution to under-
standing the employment relationship and its consequences; and, finally, the strength and outcomes
of social exchange relationships are not equally effective under all conditions.

Themes

A number of new ideas emerged in the set of papers contained in the special issue. Two papers shed
light on the formation of the psychological contract. Thomas, Au, and Ravlin (2003) argued for the
impact of culture (i.e., individualism and collectivism) on the formation and revision of the EOR. That
is, they posit that culture influences employees’ interpretation of the exchange between themselves and
the organization. De Vos, Buyens, and Schalk (2003) examine the formation of the psychological con-
tract as a sense-making process and provide evidence that new hires during socialization actively make
sense of promises through both unilateral and reciprocal adaptation processes. Specifically, new hires
changed their perceptions of what the employer had promised based on what they received and also
what they contributed to the relationship. New hires’ perceptions of promises made to their employer
are affected by how they perceive their own contributions as well as the inducements provided by the
employer. This research points to the importance of understanding factors that influence the formation
of the psychological contract, especially since this early understanding of the EOR appears critical for
subsequent interactions between employees and agents of the organization.

Several articles in the special issue argue for the role of cognition in the development, revision, and
evaluation of the EOR. While Thomas et al. (2003) and De Vos et al. (2003) focus on the formation of
the psychological contract as described above, both also examine the revision of the psychological
contract based on either culture (Thomas et al.) or sense-making (De Vos et al.). For example, Thomas
et al. posit that collectivists will be less likely to re-evaluate their contract than individualists as they
hold a long-term view of the relationship and expect that obligations will eventually be met. Aselage and Eisenberger (2003) argue that the psychological contract, in particular promises made, will moderate the effect of perceived treatment on POS. Thus, employees evaluate the social exchange relationship (i.e., POS) by assessing whether organizational treatment was promised such that non-promised positive treatment will enhance POS to a greater extent than promised positive treatment (i.e., fulfillment of the psychological contract). Furthermore, relationships based on social exchange (i.e., POS) have implications for the revision of the psychological contract such that high levels of POS are associated with higher obligations to the organization and both greater employee contract fulfillment and employee willingness to accept changes in their psychological contract. Although the view that cognitive processes underlie the EOR is not a new idea (e.g., Rousseau, 2001; Shore & Tetrick, 1994), this theme suggests the need for subsequent research that elaborates on theories that may further explain the role of cognitive processes in the formation and revision of the EOR, as well as on actions taken by both agents of the organization and by employees.

A number of articles in the special issue focus on justice as representing organizational treatment in the EOR. Both Aselage and Eisenberger (2003) as well as Liden et al. (2003) treat organizational justice as leading directly to POS. Interestingly, Liden et al. found that fair treatment by both the agency and the client organization for contingent workers affected perceptions of support from the agency and client organization. Ang et al. (2003) demonstrated that foreign workers had lower distributive justice judgments, performance, and organizational citizenship than local employees. This was heightened when foreign workers worked closely with local employees so that social comparison processes were more salient. Together these findings suggest that fair treatment plays an important role in the maintenance and reinforcement of the EOR.

Two articles incorporate the employer’s perspective into the EOR. Wang et al. (2003) examine the employment relationship by focusing on inducements and contributions between the employer and a group of employees. They provide evidence that the type of employment relationship adopted by organizations has an effect on firm performance—an organization-focused (high inducements/high contributions) approach yields the highest performance levels. In a somewhat different approach to examining the role of the employer, Tekleab and Taylor (2003) treat the immediate manager as the organizational agent in the EOR. They find that dyadic tenure is positively related to agreement between manager and employee on the degree of employee obligations, and that managers’ assessments of leader–member exchange are also associated with greater employee obligations towards the organization. Furthermore, managers’ perception of employee violation of the agreement was negatively related to employee OCB and performance. Taken together, these studies of the employer suggest that the EOR from the employer’s perspective has implications for both firm and individual employee performance.

**Issues: Future Research**

This set of articles suggests that while social exchange theory as a basis for the EOR is supported across cultures, types of formally contracted relationships, and organizational levels, some refinements are needed in the application of this theory. First, aspects of the context (workgroup, organizational strategy, and ownership structure) appear to influence the extent to which social exchange has positive effects for the organization. Other contextual variables that should be addressed in future research are union presence, industrial sector, and alternative work arrangements such as teleworking and virtual work structures. Specifically, one area of needed research is to examine how trade unions influence
employees' views of the exchange relationship and whether employees credit the union or employer for resources that are provided. The ways in which trade unions socialize new members may have important implications for how employees form and revise their understanding of the EOR. Trade unions may also influence the nature (passive versus active) and level (individual versus collective) of employees' responses to organizational treatment. Likewise, various sectors of industry may have differing norms that may influence how treatment and exchange of resources are viewed in terms of the degree of social exchange present in the EOR. As organizations increasingly adopt remote forms of working, a fruitful avenue for research might include how 'remoteness' affects both employees' interpretation of the exchange relationship and also how organizations approach the management of the EOR through its agents.

Second, individual differences may influence the extent to which people respond favorably to organizational efforts to establish social exchange relationships. That is, favorable treatment may not always be reciprocated by enhanced efforts on behalf of the organization. Individual cultural values represent only one type of individual difference variable, and many others may be influential in employee responsiveness to organizational efforts to establish a particular EOR. For example, reciprocation wariness, equity sensitivity, and personality (Cotterell, Eisenberger, & Speicher, 1992; Morrison & Robinson, 1997) deserve more attention as potential antecedents to the development of the EOR or as moderators of employee responses to the EOR. Future research that pays greater attention to the role of context and individual differences will progress our understanding of when social exchange relationships are likely to have more positive consequences for employees and organizations.

A number of articles in this issue have provided a solid foundation for subsequent research on exchange-related constructs. In particular, empirical testing of the propositions put forward by Aselage and Eisenberger (2003) regarding the relationship between POS and psychological contracts is needed. Gakovic and Tetrick’s article provides a basis for further research on the relationships among social and economic exchange, psychological contracts, and POS. The framework presented by Masterson and Stamper (2003) warrants empirical investigation and in particular the relationships between the dimensions of perceived organizational membership and their relative effect on employee–organizational outcomes. Taken as a set, this stream would be especially enhanced by research using multiple sources of information (e.g., employee, manager, and peers), longitudinal research designs, and diverse work settings. Future research of this kind would shed additional light on whether existing constructs truly make a unique contribution to our understanding of the EOR.

An encouraging avenue for future research is an expansion of the factors that influence employees', managers', and top management's perceptions of the EOR. While there is evidence that social exchange operates at various levels of the organization, more work needs to be done that (1) explores similarities and differences across levels, (2) examines linkages across levels, and (3) shows how alignments and misalignments across levels have consequences for employees and organizations. For example, organizational strategies are enacted in part through the EOR, and yet very limited research is addressing linkages between strategy and EORS, or how firms may align them for greater firm performance.

In developing our understanding of the organization’s perspective, a crucial issue that needs to be addressed is who represents the employer/organization in terms of the exchange relationship with the employee(s). The two articles in this issue adopt different approaches to operationalizing the EOR: a dyadic exchange with an employee’s immediate supervisor representing the organization (i.e., Tekleab and Taylor) and a global exchange between the organization and a particular group of employees, in this case, middle managers (i.e., Wang et al.). Although the two approaches to operationalizing the employment relationship are distinct, they share a common feature in that they rely on organizational representatives’ (supervisors or managers) interpretation of what the organization is providing to the
exchange. The latter views the organization’s perspective to the EOR as the outcomes of decisions taken by a group of senior managers concerning the basic employment policies and practices, while the former recognizes the importance of the immediate line manager in influencing an employee’s view of the EOR. Together, these two perspectives complement each other by capturing human resource decisions and the communication and enactment of those decisions through organizational representatives. Future research is needed that explicitly addresses the agent or set of agents who represent the organization in the EOR. While two articles in the special issue point to the immediate manager as a critical agent, particularly if viewed as powerful, more conceptual and empirical work addressing this issue is needed.

The role of cognition in the development and revision of employees’ view of the EOR could be complemented with future research on the cognitive processes of organizational agents in interpreting and evaluating the employer’s approach to the EOR. This area is currently underdeveloped conceptually and empirically. If organizational agents are used to represent the employer and are thus in a position to make an interpretation of the employer’s approach to the EOR, we need greater understanding of the cognitive processes adopted by managers, as organizational representatives. For example, understanding the extent to which organizational agents engage in sense-making processes that shape and alter their interpretation of events that relate to the employer’s approach to the EOR is needed. As most organizational representatives are also employees, to what extent does a manager’s own experience as an employee influence how they judge (or create a positive or negative evaluation bias) the employer’s actions towards employees?

Another avenue for future research is further development of the antecedents and consequences of mutuality in the EOR. Although Tekleab and Taylor did not find support for the positive effects of agreement on obligations between an employee and their line manager, Gabos and Rousseau (in press) provide encouraging empirical evidence for the positive consequences of mutuality for both the employee and the organization in the context of university-based research teams. Subsequent research should elaborate on the antecedents of mutuality by including individual, group, and organizational antecedents. In addition, further exploration of the links between mutuality and the nature of the exchange relationship (i.e., content) as well as the norms governing the relationship (i.e., process) and their relative consequences on individual and organizational outcomes would enhance the EOR literature.

In conclusion, the articles in this special issue provide greater elaboration of the theoretical underpinnings of the EOR. They also address some issues that have been debated but infrequently studied, such as conceptual distinctions and similarities of constructs within the social exchange domain, the universality of social exchange processes across cultures and levels, and the development and evolving nature of the EOR. Therefore, this set of articles sets the stage for greater understanding of the EOR, and provides a basis for subsequent research that develops and tests models of the exchange process between employees and organizations.

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