### Title
ALTERNATIVE APPROACHES TO THE EMPLOYEE-ORGANIZATION RELATIONSHIP: DOES INVESTMENT IN EMPLOYEES PAY OFF?




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# ALTERNATI[...]HES TO THE EMPLOYEE-ORG[...]RELATIONSHIP: DOES INVESTM[...]YEES PAY OFF?

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**This article describes four approaches to the employee-organization relationship, as defined from the employer's perspective. An empirical study of employees from ten companies found support for the basic hypothesis that employee responses differ under the four types of relationship. In general, employees performed better on core tasks, demonstrated more citizenship behavior, and expressed a higher level of affective commitment to an employer when they worked in an overinvestment (by the employer) or mutual investment relationship than when they worked in a quasi-spot-contract or underinvestment relationship. These results were obtained even after we controlled for several other variables that could affect employee performance and attitudes.**

"Increasing international competition and the rapid pace of technological change are favoring organizations that are lean, fast, and flexible" (Miles, 1989: 9). And Osterman observed that "in recent years, perhaps for the first time since the Depression, there are widespread indications that internal labor market structures are changing" (1988: 68). It is clear that external factors are forcing firms to alter their internal administrative and management structures. Specific changes include large-scale reduction of managerial and professional jobs (Buono & Bowditch, 1989), flattening of organizational levels (Harrison & Bluestone, 1988), externalization of work (Pfeffer & Baron, 1988), and development of new industrial relations systems (Arthur, 1992), management structures (Lawler, 1986, 1988), and employee governance systems (Mahoney & Watson, 1993).

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These types of changes have in turn spawned a variety of employment relationships (Arthur, 1992; Atchison, 1991; Lawler, 1988; Osterman, 1988; Walton, 1985) designed to maximize organizational flexibility while at the same time maintaining or increasing employee performance. Utilizing the ideas of inducement-contribution (Barnard, 1938; March & Simon, 1958) and extending the framework of Tsui, Pearce, Porter, and Hite (1995), we propose four basic approaches to the employment relationship that an employer can take. The first two approaches are intended to create distinct types of flexibility for an organization. One of these approaches is based on a pure economic exchange model and attempts to create a marketlike flexibility so that the employer is free to hire and fire workers. The other is based on a combined economic and social exchange model and attempts to create a clanlike flexibility by developing and encouraging employees to adopt permeable and expandable work roles. In exchange, the employer offers some degree of employment security to the employees. These two approaches are similar to employment relationships that have been described recently by a variety of authors (e.g., Arthur, 1992; Lawler, 1988; Mahoney & Watson, 1993; Osterman, 1988; Tsui et al., 1995).

These two contrasting employee-organization-relationship approaches represent prototypes of balanced exchanges. They are balanced in that the obligations of each party are either narrow and specified or broad and open ended. In practice, however, many organizations use mixed, or relatively "unbalanced," approaches that include components of both of the two balanced prototypes. In one of these unbalanced approaches, the employer desires flexible and expandable work behavior by employees but also attempts to retain its flexibility to hire and fire summarily. In the other, the employer provides relatively high employment security to employees, but expects only narrowly specified role behavior in exchange.

Is the desired flexibility actually being realized through these approaches? Taking a broader look at the impact of these approaches, in what ways are they affecting the nature and quality of employee performance and the attitudes employees hold toward the organizations? The current study was designed to answer these questions. To do this, we collected data from a large sample of employees in ten companies operating in competitive industries. The data were analyzed at the job and individual levels rather than at the firm level, on the assumption that employers may adopt different employment approaches for different jobs within a firm in order to achieve maximum flexibility for the firm as a whole (Tsui et al., 1995). We related each employer-defined employment approach used for employees in a particular job within a company to the performance and attitudes of employees in that job.

## EMPLOYEE-ORGANIZATION RELATIONSHIP: A CONCEPTUAL ANALYSIS

Tsui and colleagues (1995) used the term employee-organization-relationship strategy to capture the employer's perspective on the employment relationship. An employee-organization-relationship strategy includes the employer's expectations about specific contributions that it desires from employees and the inducements that it uses to effect the desired contributions. The employee-organization relationship is different from a psychological contract (Levinson, Price, Munden, Mandl, & Solley, 1962; Kotter, 1973; Rousseau, 1995; Rousseau & Parks, 1993), which includes expectations about the nature of the exchange held by both employer and employee. Although employees' influence on and expectations of the relationship are important, we chose to focus on the employer's perspective in this study because (1) this is where most of the changes have been observed and (2) although some negotiations do occur, it is usually the employer who defines the bulk of the terms or content of employment contracts.

The primary conceptual foundation for our employee-organization-relationship framework is exchange theory or, more appropriately, exchange theories (cf. Blau, 1964; Ekeh, 1979; Pearce & Peters, 1985). Although the objectives and approaches of different exchange theories vary, they all share the assumption that a focus on exchange can provide insights into social processes. In discussing employer-defined employee-organization relationships, we focus on the "system" equity idea that Goodman (1974) proposed, in contrast to "internal" or "external" equity, concepts in which the referents for comparison are, respectively, employees inside or outside a given organization. According to Goodman (1974), the referent for system equity is the employing organization itself. Thus, our focus is on the degree of balance in the exchange between an employee and an organization. Further, we use "balance" rather than "equity" because equity implies a perception by employees. Our focus is on the relative balance between the inducements offered by an employer and the contributions expected of its employees, as defined from the employer's perspective.

Below, we describe the four different employer-defined employee-organization-relationship approaches, two involving largely balanced exchanges that Tsui and colleagues (1995) described in detail and that resemble models proposed by several other authors (e.g., Arthur, 1992; Lawler, 1988; Mahoney & Watson, 1993; Osterman, 1988), and two involving some form of imbalance. We offer several hypotheses on the relationship between the four approaches and employees' performance and attitudinal responses.

### Balanced Employee-Organization-Relationship Approaches

Tsui and colleagues (1995), in a review of the employment relationship literature, identified two types of employee-organization relationship that involve relatively balanced exchanges between employee and employer. One type resembles a pure economic exchange. The employer offers short-term, purely economic inducements in exchange for well-specified contributions by the employee. A classic example of this type of employment relationship is that between a brokerage firm and a stockbroker. Here, the employee-organization relationship is defined in terms of specified activities for a set compensation. Neither party expects contributions or inducements beyond those specified. For example, it is not expected that stockbrokers will help other employees in the company or be concerned about the firm's overall performance. Similarly, the employer's obligation to the employee is confined to rewards that are defined largely in monetary terms. Neither party—especially the employer—has an obligation to maintain a long-term relationship. The balance is in the fact that the exchange is relatively short-term and closed-ended for both parties, rather than in the economic value of what is being exchanged. We use the term *quasi spot contract* to describe this highly circumscribed employee-organization-relationship approach.

Analogous to this prototype are the industrial model described by Osterman (1988) and the cost control strategy described by Walton (1985). As Osterman explained, "In this model work is organized into a series of tightly defined jobs with clear work rules and responsibilities attached to each classification. Wages are attached to jobs" (1988: 64). Similarly, in the cost control strategy, "Employee attention is limited to performing the individual job" (Walton, 1985: 81). Earlier conceptual equivalents of this employee-organization-relationship approach include the utilitarian involvement idea (Etzioni, 1961) and the market mechanism (Ouchi, 1980).

As several authors have suggested (e.g., Davis-Blake & Uzzi, 1993; Osterman, 1988; Tsui et al., 1995), the quasi-spot-contract type of employee-organization relationship may be more appropriate for some jobs than for others. It may be especially appropriate where a performance contribution can be clearly defined and measured. Elsewhere, however, a spot contract may be highly inappropriate, and a more open-ended relationship may be desired. For example, Davis-Blake and Uzzi (1993) observed that jobs that are high in informational and technical complexity are less likely to be externalized (with contractors substituted for employees) than are other jobs. In the context of a high degree of environmental uncertainty and rapid change, it is difficult for an employer to know in advance what types of problems it will encounter in the future. Therefore, at least for job complexity and external adaptation reasons, the employer may find it advantageous to leave some obligations unspecified and to treat the employment relationship as a combination of economic and social exchange rather than as a purely economic exchange.

A basic and crucial distinction between economic and social exchange is that the latter entails unspecified, broad, and open-ended obligations on the part of both parties (Blau, 1986). In a social exchange relationship, the inducements an employer offers go beyond short-term monetary rewards. They include an extended consideration of an employee's well-being as well as an investment in the employee's career within the firm. In exchange, the employee's obligations and contributions include working on job assignments that fall outside of prior agreements or expertise, assisting junior colleagues, accepting job transfers when requested by the employer to do so, and, in general being willing to consider the unit's or the organization's interests as important as core job duties. The employee is also willing to learn firm-specific skills that are not readily transferable to other employers because he or she trusts that such investments will be reciprocated over the long term. This is a balanced exchange relationship because it involves some degree of open-ended and long-term investment in each other by *both* the employee and the employer. We refer to this as the *mutual investment* employee-organization-relationship approach.

Analogous to this type of employee-organization relationship is the salaried model described by Osterman (1988), the high involvement approach advocated by Lawler (1986, 1988), the commitment strategy of Walton (1985), and the employee commitment system described by Arthur (1992). There are several earlier conceptual equivalents of this approach, including the normative involvement idea advanced by Etzioni (1961) and the employment relationship found in the clan (Ouchi, 1980), among others.

### Unbalanced Employee-Organization-Relationship Approaches

The two types of employee-organization relationship just described reflect balanced exchanges in which the obligations of each party are matched (i.e., a closed-ended and short-term economic exchange, and an economic and social exchange that is open-ended and long-term). It is possible, however, for two unbalanced employee-organization-relationship approaches to exist. In some employment relationships, the employee is expected to undertake broad and open-ended obligations, while the employer reciprocates with short-term and specified monetary rewards, with no commitment to a long-term relationship or investment in the employee's training or career. We use the term *underinvestment* to describe such an unbalanced relationship. In a contrasting type of unbalanced employee-organization relationship, the employee performs only a well-specified set of job-focused activities, but the employer offers open-ended and broad-ranging rewards, including training and a commitment to provide the employee with career opportunities. We use the term *overinvestment* to refer to this second unbalanced employee-organization relationship.

The employee-organization relationships of many employers in competitive industries can be characterized as the underinvestment type because these employers desire full commitment from employees but at the same time want the flexibility to lay off employees virtually at will. This approach appears to be more favorable to employers than to employees. Other organizations adopt an approach that is seemingly more favorable to employees. Employees in organizations bound by trade union contracts, and some government bureaucracies, are managed by what may be considered the overinvestment approach. Some employees in these organizations have enjoyed relatively high employment security and have received considerable training investments from the employers without necessarily being expected to make contributions that go beyond their immediate jobs.

### Employee Performance Responses to Different Employer-Defined Employee-Organization Relationships

In the quasi spot contract, the employee's attention is directed to a set of closed-ended tasks and toward specified rewards that are fully contingent upon satisfactory performance of those tasks. The employee is not expected to, and in fact may be discouraged from, engaging in activities beyond those specified so that his or her undivided attention can be given to the core job. Thus, we would anticipate specified task performance to be particularly high under this employee-organization relationship. Here, a critical assumption is that the employer can define the core tasks either in terms of activities or outcome.

However, we do not predict similar high performance for employees in the overinvestment employee-organization relationship, where they are also expected to devote their attention primarily or solely to core job duties. Under this approach, the situation is similar to that of the ''overpayment'' condition described by Adams (1965). Even though the organization's investment is higher than it is in the quasi spot contract, recipients tend to rationalize the overpayment, and thus the favorable exchange does not serve as an incentive to perform exceptionally well. In contrast, in the underinvestment relationship, employees are not likely to perform their core tasks well for two other reasons. First, they are expected to devote some of their attention to open-ended task activities, and second, there is no expectation of employment security. Therefore, they may not perform well because they get little payoff for doing so or because they want to restore some level of psychological equity to the relationship (Adams, 1965). Finally, in the mutual investment employee-organization relationship, employees' attention is divided between performance on the core job and activities that are beneficial to the larger unit to which they belong. Given this broad involvement in the organization, these employees' contributions on basic tasks should, by definition, be lower than those of employees under the quasi-spot-contract employee-organization relationship. However, because the employer's performance expectation is high, employees under the mutual investment approach should perform better on core tasks than employees under the overinvestment approach.

Drawing on the above rationale, we propose the following hypothesis on the relationship between the four employee-organization-relationship approaches and employees' performance on basic tasks:

> *Hypothesis 1. Employees' performance on core tasks will be the highest in the quasi-spot-contract employee-organization relationship, second highest with mutual investment, and third highest with overinvestment. It will be the lowest in the underinvestment employee-organization relationship.*

Although core task performance may be the highest with the quasi spot contract, we expect employees working under this employee-organization relationship to demonstrate a relatively low level of organizational citizenship behavior because such open-ended behaviors are neither specified nor expected. Similarly, citizenship behaviors are also likely to be low in the overinvestment employee-organization relationship because such behaviors are, again, not expected of employees under this approach. In the underinvestment arrangement, the employer expects employees to be attentive to the continuing well-being of the larger unit or organization. However, employees can be laid off on short notice by the employer. Therefore, employees are not likely to engage in activities that go beyond their immediate tasks (e.g., citizenship behavior), employing one way to restore balance in this "underpayment" condition (Adams, 1965). It is in the mutual investment employee-organization relationship that relatively high levels of citizenship behavior should be anticipated. In this relationship, employees enjoy extensive and open-ended rewards, including employment security and career-enhancing investments on the part of the employer. In exchange, the employer expects employees to attend to the broad interests and needs of the organization as well as to the requirements of their immediate jobs. Thus, in this open-ended relationship, employees should be more likely to be cooperative, to assist others often, to suggest ideas that improve overall operations frequently, and generally to be motivated to protect the interests of the larger organization. Given these assumptions, the following is hypothesized:

> *Hypothesis 2. Organizational citizenship behaviors will be higher under the mutual investment employee-organization relationship than under the other three employee-organization-relationship approaches.*

In addition to differing on core task performance and organizational citizenship behavior, employees under the four employee-organization-relationship approaches are also assumed to differ in the dependability of their organizational participation. Two forms of such dependability are long-term continuance of employment and reliable day-to-day work attendance. Both voluntary turnover (Mobley, 1982) and unexcused absences from work (Rhodes & Steers, 1990) can be extremely costly to an employer. By offering rewards such as commitment to extensive training and relatively high employment security, the employer in return expects contributions from employees, including dependable participation on both a short-term and a long-term basis. Therefore, we would expect that employees will respond to the overinvestment and mutual investment employee-organization relationships with the highest levels of dependable participation, especially over the long term.

In general, it seems reasonable to expect that employees under the overinvestment approach will be the least likely to want to leave their employers since they have a "good deal." And indeed, employee turnover in, for example, government bureaucracies is often quite low, perhaps as a result of the employment security and generous benefits the employees enjoy. In the mutual investment employee-organization relationship, there is an interesting dynamic regarding the continuance of employment by employees. The broader contributions expected of employees under this approach may also actually serve to increase the likelihood of their continuing employment. Broad contributions, such as gaining firm-specific skills and helping co-workers, can be conceived as investments, or sunk costs, on the part of employees, and such investments tend to engender continuance commitment (Becker, 1960).

Employee intentions to continue employment are not assumed by the employer under the quasi-spot-contract employee-organization relationship. Under this approach, an employee usually has the understanding (which is either implicitly conveyed or explicitly stated by the employer) that the employment relationship entails no promise of future employment. Therefore, we would expect these employees to have a relatively low level of intent to continue employment with the employer. Under the underinvestment approach, where the exchange is less favorable to the employee than to the employer, the employee is most likely to leave the firm as soon as alternative employment options are available. The following hypothesis summarizes the relationship between the four employee-organization-relationship approaches and dependable continuance of employment by employees:

> *Hypothesis 3. Dependable continuance of employment by employees (intentions to stay) will be lowest in the underinvestment employee-organization relationship, next lowest under the quasi spot contract, and next lowest under mutual investment. It will be the highest in the overinvestment employee-organization relationship.*

Although employees' continuation of employment may be the highest in the case of the overinvestment employee-organization relationship, these employees may not demonstrate a high level of attendance, because of the generous leave and other attendance benefits that are characteristic of employers in government and quasi-monopolistic firms. Schlotzhauer and Rosse (1985), for instance, reported that number of paid sick days was a predictor of days absent. Thus, the literature suggests that the use of paid sick days is another way that employees may take advantage of the open-ended rewards offered in this approach. But employees under mutual and underinvestment employee-organization relationships should have higher attendance because of the expectation, defined in the employment relationship by the employer, that employees will be there when needed, work overtime if the employer wants them to, and will show overall commitment by being physically present at work on a consistent basis. Peer pressure should be highest in the mutual investment arrangement (Barker, 1993; Lawler, 1988), where employees are more likely to feel that the employer's open-ended commitment to them should be reciprocated. Under the quasi-spot-contract approach, attendance is expected to be governed by the explicit contract. Attendance, therefore, may not be a relevant performance factor for many spot-contract workers, unless dependable attendance is explicitly specified. With these analyses, we develop the following hypothesis:

> *Hypothesis 4. Employee attendance will be highest in the mutual investment employee-organization relationship, next highest with underinvestment, and lowest in the overinvestment and quasi-spot-contract employee-organization relationships.*

### Employee Attitudinal Responses to Employer-Defined Employee-Organization Relationships

Following Lawler (1988), Walton (1985), and Ouchi (1980), who distinguished between the two prototypical approaches, we expected employees to have differing affective responses to these employer-defined relationships. Even Williamson (1975) suggested that people in the relatively more open-ended employment relationship would have greater "quasi-moral involvement" than those in the purely economic exchange relationship of the market (cf. Pearce, 1993). Blau (1964) argued that social exchange engenders feelings of personal obligation, gratitude, and trust that pure economic exchange does not.

The employee-organization-relationship framework suggests that employees will be more affectively committed to an employer when the employer commits to a long-term relationship with the employees. A willingness to develop and maintain a long-term relationship is a key characteristic of a social, in contrast to an economic, exchange (Blau, 1986: 94). Further, "social exchanges are possible because actors orient their action toward a general norm of reciprocity" (Haas & Deseran, 1981: 3). Therefore, we would expect a higher level of affective commitment on the part of employees in overinvestment and mutual investment relationships, in which employers offer the open-ended inducements characteristic of social exchange, than we would expect in the other two types. Thus, it seems reasonable to hypothesize that:

> *Hypothesis 5. Affective commitment by employees to an employer will be highest under the mutual investment and overinvestment employee-organization-relationship approaches and lowest under the quasi-spot-contract and underinvestment approaches.*

Employee-organization relationships also may affect employees' fairness perceptions. Such perceptions should be especially low when the employment relationship is of the underinvestment type, in which employees are expected to make open-ended contributions that employers do not reciprocate. Although the relationship is unbalanced in the overinvestment relationship, we propose that employees are not likely to perceive unfairness, since the imbalance favors them and the experience of overpayment is a short-lived psychological state. In both the quasi-spot-contract and the mutual investment employee-organization relationship, employees should perceive fairness because there is balance in the exchange. The following hypothesis compares the fairness perceptions of employees under each of the four approaches:

> *Hypothesis 6. Employees' perception of fairness will be lower in the underinvestment employee-organization relationship than in any of the other three employee-organization-relationship approaches.*

A potentially important attitudinal outcome resulting from the nature of the employment relationship is an employee's relationship with co-workers. In general, positive co-worker relationships are more important for employees whose obligations are broad and open-ended rather than narrowly circumscribed—that is, those in mutual and underinvestment employee-organization relationships. Under these two approaches, employers expect employees to take into account their units' (and implicitly, other employees') interests in addition to performing their own core tasks. This consideration is expected to foster an expectation of mutual assistance and trust among co-workers. Nevertheless, since employees' jobs are not secure in the underinvestment approach, they may consider themselves in potential competition with each other for limited employment opportunities in the organization, and this perception could damage co-worker trust (Barker, 1993; Pearce, Bigley, & Branyiczki, 1997). Therefore, co-worker relations would be especially strained under the underinvestment approach and the most positive under the mutual investment approach. Pearce, Branyiczki, and Bakacsi (1994) reported that employees working in organizations characterized by arbitrary treatment and motivation based on fear were more likely to distrust their peers—that is, they were more likely to turn *on* them than to turn *to* them. In another study, Pearce, Branyiczki, and Bigley (1995) presented data indicating that exploitation by employers was a significant predictor of distrust in co-workers.

Trust in co-workers also is not likely to occur among employees under either the quasi-spot-contract or the overinvestment employee-organization relationship, which do not foster or promote collaborative co-worker interaction or the development of trust. Thus, where an employee-organization relationship involves narrowly focused economic exchange (i.e., the quasi spot contract) and where co-worker relationships are not emphasized (i.e., overinvestment), we would expect employees to report less trust in their co-workers.

> *Hypothesis 7. Employees in mutual investment employee-organization relationships will report greater trust in co-workers than will employees in any of the other three types of employee-organization relationship.*

Table 1 summarizes the seven hypotheses. These hypotheses in total suggest that the mutual investment approach offers the most advantage to employers in terms of favorable employee performance and attitudes. The underinvestment approach appears to have the most *dis*advantages in terms of employee performance and attitudes. The major and sole potential advantage to an employer in using a quasi spot contract is a high level of performance on core tasks. And overinvestment offers advantages on some outcomes, such as continuance of employment, but disadvantages on other outcomes, such as attendance.

## METHODS

We assumed that firms would respond to the need for flexible working arrangements by adopting multiple approaches to the employee-organization relationship across jobs. Therefore, to obtain firms that might be using more than one approach, we sampled only companies in competitive industries. Concentration ratios and ownership changes over a five-year period were used to identify ten industries (specified at the four-digit Standard Industrial Classification [SIC] code level) that were defined as facing high levels of competitive pressure. For each industry, a set of firms that each had at least 1,000 employees was identified. Ten companies in five industries agreed to participate: two companies each in computer manufacturing (SIC 3571), electronics and semiconductors (SIC 3674), and telecommunication

**TABLE 1**
**Summary of Hypotheses on the Relationship between Employer-Defined Employee-Organization-Relationship Approaches and Employee Performance and Attitude Responses**

| | Employee-Organization-Relationship Approach[a] | | | |
|---|---|---|---|---|
| **Employee Response** | **Quasi Spot Contract** | **Under-investment** | **Over-investment** | **Mutual Investment** |
| Performance | | | | |
| Hypothesis 1. Basic task performance | 1 | 4 | 3 | 2 |
| Hypothesis 2. Citizenship behavior | 4 | 4 | 4 | 1 |
| Hypothesis 3. Dependable continuance of employment | 3 | 4 | 1 | 2 |
| Hypothesis 4. Dependable attendance | 4 | 2 | 4 | 1 |
| Attitudes | | | | |
| Hypothesis 5. Affective commitment | 4 | 4 | 1 | 1 |
| Hypothesis 6. Perceived fairness | 1 | 4 | 1 | 1 |
| Hypothesis 7. Trust in co-workers | 4 | 4 | 4 | 1 |

[a] Numerals in the body of the table indicate predicted level, with 1 designating the most favorable and 4 designating the least favorable response.

(SIC 4813); three companies in food and groceries (SIC 5140); and one in apparel (SIC 5311). The sample is not representative of companies in each of the five industries; however, in sampling employees from more than one company and from more than one industry, our intent was to rule out the possibility of company- or industry-specific findings.

### Employee Sample

The study was conducted at the individual and job levels. We tested hypotheses using only permanent employees. Part-time employees and independent contractors were excluded. We also excluded union employees earning hourly wages in order to examine employment relationships that were not influenced by collective bargaining agreements. Thus, our sampling strategy should give a more conservative test of the hypotheses than a strategy whereby these other types of workers were also included. The sample consisted of 976 employees who occupied 85 different jobs across the ten companies. To ensure that there was a range of jobs that could be candidates for the different employee-organization-relationship approaches, we asked the human resource directors of the companies to select a range of jobs varying in terms of the ease with which the performance of employees in these jobs could be evaluated.

For each job, the names of the supervisors who managed the employees performing the job were obtained. For each supervisor, we randomly selected several employees to be part of the initial sample; the number chosen ranged from a minimum of 3 to a maximum of 12. This process yielded an initial sample of 1,637 employees, of whom 976 participated in the study, representing a response rate of 60 percent. In addition, 205 supervisors (representing a 64 percent response rate) also participated in the study. However, not all employees who were rated by their supervisors returned their surveys, and not all employees who completed a survey were rated by their superiors or peers. Therefore, the actual size of the sample for testing the performance hypotheses differed from that for testing the hypotheses on the attitudinal outcomes. Using "listwise" deletion of missing data, we had complete data on 453 employees for testing the hypotheses on performance outcomes and complete data on 757 employees for testing the hypotheses on the attitudinal outcomes. A comparison of the demographic profiles (age, company tenure, race, sex, and education) of the employees with performance data and those without performance data revealed no difference between the two groups. Table 2 summarizes the demographic profile of the employee sample.

### Data Collection Procedure

Written surveys were used to collect data, independently, from employees and supervisors. Envelopes containing the blank surveys were sealed and marked "confidential." In order to match responses from supervisors and employees, we coded the surveys. Self-addressed stamped envelopes bearing our university address were provided for the return of completed

**TABLE 2**
**Demographic Characteristics of Employees**

| Variable[a] | Mean | s.d. | *n* | Percentage |
|---|---|---|---|---|
| Age | 39.43 | 8.76 | 937 | |
| Company tenure | 9.12 | 7.83 | 946 | |
| Education | 14.98 | 2.31 | 940 | |
| Gender | | | | |
| Men | | | 613 | 65 |
| Women | | | 333 | 35 |
| Race | | | | |
| White | | | 821 | 87 |
| Nonwhite | | | 119 | 13 |

[a] Values for age, company tenure, and education are expressed in years.

surveys in all cases. The complete confidentiality of completed surveys was guaranteed to all respondents.

The supervisors provided data on the employee-organization-relationship approach used in a given job. They also provided ratings on three performance measures for each of three employees who were randomly selected from all the employees sampled in a given job. Each of the three employees also rated the other two employees (i.e., their co-workers) on the same performance measures. Finally, employees provided data on their attendance records and attitudes. This data collection procedure was designed to avoid common method variance by obtaining data on the independent and dependent variables from different sources. It also provided ratings of employee performance from two sources (i.e., supervisor and peers).

## Measures

The hypotheses called for one independent variable (the employee-organization-relationship approaches) and seven dependent variables (four performance and three attitudinal measures). In addition, we included measures of a number of control variables for use in the data analyses.

**Employee-organization relationship.** This variable was categorical to represent the four approaches. The four categories were defined by two dimensions: (1) employer-expected employee contributions and (2) inducements offered by the employer to the employees. Employee contribution was measured by the extent to which an employer encouraged, through human resources practices, employees to focus their attention on their work units in addition to performance in their own jobs. Three human resource practices were used to measure this dimension, employee unit focus (see Table 3 for items). Employer investment was measured by the extent to which an employer invested in the employees in terms of training and employment security. Four human resource practices were used to measure this dimension. Supervisors ($n$ = 205) were asked the extent to which each practice "may be used by [your] company for employees in this job category." Possible responses ranged from 0, "not used," to 8, "used to a very large extent." A factor analysis of these seven items using Kaiser's criterion and "varimax" rotation yielded two factors with clean loading patterns. Table 3 shows the factor loading of the seven items. The reliability coefficient for the employee-unit-focus scale was .76, and for the employer investment scale, it was .79.

In order to define employee-organization relationship at the job level, we used the average of the supervisors' ratings of employee-organization relationship for the same job. Thirty-six jobs (out of a total of 85) involved multiple supervisors (ranging from 2 to 17). For these 36 jobs, we computed a one-way analysis of variance (ANOVA) using the job category as the classification variable and the supervisors' ratings on the two employee-organization-relationship dimensions as the dependent variables. For the employee-unit-focus dimension, the $F$ was 1.85 ($p < .01$, $R^2 = .33$), and for the employer investment dimension, the $F$ was 3.71 ($p < .01$, $R^2 = .50$). These results suggest that there was more agreement among supervisors' ratings of the employee-organization-relationship approach for employees in the same job than there was among supervisors managing different jobs. Thus, it was appropriate to aggregate the ratings of the employee-organization-relationship dimensions among supervisors overseeing the same job to derive a job-level score. Therefore, for the 36 jobs involving multiple supervisors, we averaged the supervisors' ratings for each of the two employee-organization-relationship dimensions, using the mean of the items comprising each scale as the score for the scale. Hence, for these jobs, employee-organization-relationship scores are not idiosyncratic to supervisors. However, for the remaining jobs, the employee-organization-relationship scores are idiosyncratic to supervisors and may be inseparable from super-

**TABLE 3**
**Results of Factor Analysis on Employee-Organization Relationship Items[a]**

| Dimensions and Items | 1 | 2 |
|---|---|---|
| Human resource practices focusing employee attention on unit | | |
| 1. Evaluates employees based on unit performance | | .81 |
| 2. Rewards employees based on unit performance | | .88 |
| 3. Assigns performance goals or standards that focus on employee's work group or unit | | .78 |
| Human resource practices indicating employer's investment in employee | | |
| 1. Trains employees on skills that prepare them for future jobs and career development | .77 | |
| 2. Provides career counseling and planning assistance to employees | .78 | |
| 3. Provides employees with employment security | .77 | |
| 4. Recruits employees from within the company | .67 | |
| Eigenvalue | 3.18 | 1.34 |
| Percentage of variance explained | .45 | .19 |
| Alpha coefficient | .79 | .76 |

[a] Employee-organization relationship was defined by the two dimensions shown, the first assessing employer-expected employee contributions, the second assessing employer-offered inducements.

visory behavior. Thus, we included a supervisory support scale as a control variable to remove the influence of idiosyncratic supervisory behavior.

We used the supervisors' ratings on the two dimensions (employee unit focus and employer investment) to create the four employee-organization-relationship approaches. A median split was performed on each dimension. Jobs with scores below the median on both dimensions were defined as being managed by the quasi-spot-contract approach. Jobs with scores above the median on employee unit focus but below the median on employer investment were defined as being managed by the underinvestment approach. Jobs with scores below the median on employee unit focus but above the median on employer investment were defined as being managed by the overinvestment approach. Finally, jobs with scores above the median on both dimensions were defined as showing the mutual investment approach. Note that we used this median split to create an approximation of a theoretically defined categorical measure (Dubin, 1978). By using a continuous scale on each of the two dimensions, we attempted to attain a more refined response from supervisors and to achieve a more accurate placement of jobs under each employee-organization-relationship type than we would have obtained by asking supervisors to select one among a set of four choices.

This categorization produced the following distribution of employee-organization relationships across the 85 jobs: 31 percent of the jobs involved quasi spot contracts; 18 percent, underinvestment; 18 percent, overinvestment; and 33 percent, mutual investment. Thus, there was a greater use of the two balanced employee-organization-relationship approaches (64%) than of the two unbalanced approaches among the ten employers. A cross-tabulation of approach by company confirmed our assumption that firms in competitive industries used multiple employee-organization-relationship approaches (different ones for different jobs). In nine of the ten companies, all four employee-organization relationships were found. The remaining company used three approaches.

**Employee performance.** Items for performance outcomes were selected to differentiate between core tasks and activities falling outside of those tasks (i.e., citizenship behavior). Given that the specific nature of employees' tasks varies widely with their jobs, organizations, and industries, we developed or selected items that were generic rather than specific to one particular job. Six items focusing on the quantity, quality, and efficiency of employees were developed to measure basic task performance. On these items, raters (supervisors or peers) indicated the extent to which they agreed that the employee's performance on the core job was higher than that of other employees in a similar job. The response scale ranged from 1, "strongly disagree," to 7, "strongly agree." We also used five additional items adapted from Greenhaus, Parasuraman, and Wormley (1990) to measure core task performance. They focused on an individual's overall ability, judgment, accuracy, job knowledge, and creativity in performing his or her assigned role. Raters also responded to these items using a seven-point scale, ranging from 1, "unsatisfactory," to 7, "excellent."

Items assessing citizenship behavior were pooled from a variety of sources, including Graham (1986), O'Reilly and Chatman (1986), Smith, Organ, and Near (1983), and Gregersen (1989). We selected nine items that measure citizenship behaviors directed at improving an organization (see Table 4). The rater (supervisor or peer) indicated the extent to which he or she agreed that the employee exhibited the citizenship behavior described by the item. The same seven-point agree-disagree response scale used for rating core job performance was used.

Dependable continuation of employment by employees (referred to as "dependable continuance"), as perceived by supervisors and peers, was measured by three items that correspond to the intent-to-stay idea found in the behavioral commitment literature (Steers, 1977). The rater indicated the

**TABLE 4**
**Results of Confirmatory Factor Analysis of Performance Items**

| | Factors | | |
|---|---|---|---|
| **Items** | **1** | **2** | **3** |
| Dependable continuance | | | |
| 1. Likely to leave this organization within the next 12 months | .83 | | |
| 2. Likely to leave this organization within the next three years | .77 | | |
| 3. Would probably change jobs if offered a bit more money | .77 | | |
| Citizenship behavior | | | |
| 1. Makes suggestions to improve work procedures | | .83 | |
| 2. Expresses opinions honestly when others think differently | | .72 | |
| 3. Does not keep doubts about a work issue to him/herself, even when everyone else disagrees | | .65 | |
| 4. Makes suggestions to improve organization | | .87 | |
| 5. Calls management attention to dysfunctional activities | | .79 | |
| 6. Makes innovative suggestions to improve department | | .86 | |
| 7. Informs management of potentially unproductive policies and practices | | .77 | |
| 8. Is willing to speak up when policy does not contribute to goal achievement of department | | .80 | |
| 9. Suggests revisions in work to achieve organizational or departmental objectives | | .83 | |
| Basic task performance | | | |
| 1. Employee's quantity of work is higher than average | | | .83 |
| 2. The quality of work is much higher than average | | | .88 |
| 3. The employee's efficiency is much higher than average | | | .85 |
| 4. Employee's standards of work quality are higher than the formal standards for this job | | | .86 |
| 5. Employee strives for higher quality work than required | | | .86 |
| 6. Employee upholds highest professional standards | | | .80 |
| 7. Employee's ability to perform core job tasks | | | .85 |
| 8. Employee's judgment when performing core job tasks | | | .84 |
| 9. Employee's accuracy when performing core job tasks | | | .82 |
| 10. Employee's job knowledge with reference to core job tasks | | | .75 |
| 11. Employee's creativity when performing core tasks | | | .78 |
| Alpha coefficient | .83 | .94 | .96 |

extent of his or her agreement with a statement on a seven-point scale. Dependable attendance was measured by employees' reports of the frequency of unexcused absences. Tsui, Egan, and O'Reilly (1992) suggested that frequency of absences is one of the better measures of attendance found in the absenteeism literature.

A confirmatory factor analysis was performed on the 23 rating items (not including frequency of absence) that measure the three forms of performance. The result supported a three-factor structure, with an adjusted goodness-of-fit index (GFI) of .99 and a root-mean-square residual (RMSR) of .04. The internal consistency reliability of the three scales ranged from .83 to .96. Table 4 shows the standardized solution of this confirmatory factor analysis.

The average of the supervisor and peer ratings on each performance measure was used as the dependent variable in testing Hypotheses 1, 2, and 3. The three ratings (one superior and two peer ratings) were significantly correlated ($p < .001$). With the ratings from the three sources used as items, the Cronbach's alpha for the core task performance scale was .67; for citizenship behavior, it was .60; and for dependable continuance, it was .77. Peers' knowledge of a ratee's work (based on their being in the same job as the ratee) and extensive opportunities to observe (from being in the same work group or unit) may account for the high level of agreement between their ratings and those of the supervisors. Frequency of absences was the dependent variable for Hypothesis 4.

**Attitude measures.** Affective commitment was measured by the affective subset of the organizational commitment scale reported in Angle and Perry (1981). This subscale does not include the intent-to-stay dimension that we have defined as dependable continuance. Responses were recorded on a seven-point scale, from 1 for "strongly disagree" to 7 for "strongly agree." All attitude items are reported in Table 5.

To obtain an overall fairness perception measure, we compiled a list of 16 items from some existing measures (Folger & Konovsky, 1989; Leventhal, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975) and added a few other items. In the end, the scale consisted of items reflecting different types of fairness issues (e.g., pay, promotion, evaluation decisions) as well as both the procedural and distributive aspects of fairness. A seven-point response scale was used, ranging from 1, "strongly disagree," to 7, "strongly agree."

A third attitude measure is employees' trust in co-workers. A five-item scale (Pearce et al., 1997) was used. This scale measured the extent to which employees perceived that their co-workers could be relied upon and had integrity. A seven-point agree-disagree response scale was used as well.

**Control variables.** Since employee-organization relationship was measured at the job level, a potential confound was supervisory behavior toward employees in a given job. It has been argued, for example, that much of the evolving employment contract between an individual and an organization derives from the relationship between the individual and his or her immediate supervisor (e.g., Farh, Podsakoff, & Organ, 1990). To examine the unique effect of the employer-defined employment relationship for a

**TABLE 5**
**Results of Confirmatory Factor Analysis of Attitude Items**

| Items | Factors 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Affective commitment | | | | |
| 1. I am willing to put in effort beyond the norm for the success of the organization. | .50 | | | |
| 2. I talk up this organization to my friends as a great place to work for. | .82 | | | |
| 3. I find that my values and the organization's values are very similar. | .78 | | | |
| 4. I am proud to tell others that I am part of this organization. | .83 | | | |
| 5. This organization inspires the very best in the way of job performance. | .88 | | | |
| 6. I am extremely glad to have chosen this organization to work for over other organizations. | .81 | | | |
| 7. I would accept almost any type of job to keep working for this organization. | .53 | | | |
| 8. I really care about the fate of this organization. | .66 | | | |
| 9. For me this is the best of all possible organizations for which to work. | .85 | | | |
| Perceived fairness | | | | |
| 1. The process used to conduct my performance appraisal is fair. | | .76 | | |
| 2. The process used to determine my salary is fair. | | .70 | | |
| 3. The process used to make decisions about my promotions or job changes within this organization is fair. | | .81 | | |
| 4. The process used to address any concerns or complaints I voice about this organization is fair. | | .79 | | |
| 5. I am satisfied with the way my performance appraisals are conducted in this organization. | | .81 | | |
| 6. I am satisfied with the process used to address any concerns or complaints I voice about this organization. | | .80 | | |
| 7. I am satisfied with the process used to make decisions about my promotions or job changes with the organization. | | .85 | | |
| 8. I am satisified with the process used to determine my salary. | | .72 | | |
| 9. The rating or evaluation I received on my last performance appraisal was fair. | | .64 | | |
| 10. The amount of pay that I receive is fair. | | .64 | | |
| 11. The decisions made about my promotions or job changes within this organization are fair. | | .82 | | |
| 12. If I voice my concern or disagreement about something in this organization, the organization's resulting actions or response are fair. | | .83 | | |
| 13. The rating or evaluation I received on my last performance appraisal reflected what I deserved. | | .65 | | |

**TABLE 5 (continued)**

| Items | Factors 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| 14. If I voice my concern or disagreement about something in this organization, the organization's resulting actions or responses reflect what I deserve. | | .80 | | |
| 15. The decisions made about my promotions or job changes within this organization reflect what I deserve. | | .81 | | |
| 16. The amount of pay that I receive reflects the amount that I deserve. | | .67 | | |
| Supervisory support | | | | |
| 1. My supervisor seems willing to listen to my problems. | | | .83 | |
| 2. My supervisor is considerate of subordinate's feelings. | | | .75 | |
| 3. I can rely on my supervisor. | | | .87 | |
| 4. My supervisor is friendly. | | | .71 | |
| 5. I don't really feel that my supervisor and I are working toward shared or team objectives. | | | −.71 | |
| 6. My supervisor seems to be rather distant and unapproachable. | | | −.67 | |
| 7. Supervisors and subordinates have confidence in one another. | | | .82 | |
| Trust in co-workers | | | | |
| 1. I can rely on those I work with in this group. | | | | .75 |
| 2. There is no "team spirit" in my group. | | | | −.80 |
| 3. We are usually considerate of one another's feelings in this work group. | | | | .74 |
| 4. We have confidence in one another in this group. | | | | .83 |
| 5. Members of my work group show a great deal of integrity. | | | | .81 |
| Alpha coefficient | .95 | .91 | .90 | .88 |

specific job, it is important to control for the effect of individual supervisors. This control variable was measured by seven items from the supervisory supportiveness scale developed by Pearce, Sommer, Morris, and Frideger (1992). The scale describes the extent to which a supervisor is supportive of a subordinate and is approachable. The seven-point agree-disagree response scale described above was used.

Since the data on the three attitude scales and supervisory support were all obtained from the employees, we conducted a confirmatory factor analysis of the 37 items that make up the four scales to check for construct independence. The results were in strong support of the four-factor structure. The adjusted GFI was .98, and the RMSR was .06. Table 5 presents the standardized solution of this confirmatory factor analysis. The internal consistency reliability estimates of the four scales ranged from .88 to .95.

Employee-organization relationship may also vary with job level. It is likely that higher-level jobs involve different employee-organization relationships than lower-level jobs because of differences in the informational and interpersonal complexity of the two types of jobs, as described in Davis-Blake and Uzzi (1993). Further, employees in higher-level jobs may differ systematically in terms of attitudes from employees in lower-level jobs. Therefore, we included job level as a control variable and measured it by having two independent coders rate the level of each job on the basis of the job titles provided by the companies' human resources executives. Examples of job titles rated are customer services representative, software engineering manager, buyer, systems analyst, distribution center employee, tax-planning manager, and so on. The two coders coded the titles into three levels: managerial (3), professional (2), and technical (1). Initial agreement was obtained on 81 of the 85 jobs (95%). Upon discussion, the coders also reached agreement on the remaining four jobs. Most of the jobs were coded as professional (65%), with managerial (32%) and technical (7%) following. In average salary data we obtained from five companies on 46 jobs, the correlation between coded job level and the average salary of employees in these jobs was .46 ($p < .001$). Excluding one outlier, the correlation was .56 ($p < .001$).

A variety of individual difference factors may also affect employee performance and attitudes. Age, educational level, and company tenure are often considered to be human capital factors that influence employee performance on the job. These variables also have been found to be related to motivation to continue employment and to attendance behavior. Gender and race may influence attendance and fairness perceptions. Given these possible relationships, we controlled for these individual-level variables in estimating the net effect of the employer-defined employee-organization relationship on employee responses.

Finally, we included company as a control variable. Different companies may have different overall postures toward employees or idiosyncratic corporate cultures. By including company as a control variable, we aimed to assess the net effect of employee-organization relationship at the job level. Because of the small number of companies sampled in each industry, when controlling for company, we were essentially taking industry effect into account.

## Analyses

First, the mean performance and attitude scores for employees under each of the four employee-organization-relationship approaches were obtained. We used one-way ANOVA with Duncan's multiple range test to review differences on each outcome variable among the four groups. We conducted this analysis to see if the means on the seven outcome variables were ordered under the four employee-organization-relationship approaches in the hypothesized directions (shown in Table 1). Then, we included all the control variables (five employee demographic variables, job level, supervisory support, and company) in the analyses to determine the effect of employee-organization relationship after other factors that may influence employee performance or attitude had been accounted for.[1] We first used multivariate analysis of covariance (MANCOVA) to estimate the effect of employee-organization relationship on all the performance variables as a set or on all the attitude variables as a set. Finally, we used analysis of covariance (ANCOVA) to estimate the effect of employee-organization relationship on each dependent variable after accounting for the effects of the control variables.[2]

# RESULTS

The basic findings of the study relevant to each hypothesis are shown in Table 6 and are presented in the following sections. We then present analyses that include the effects of the control variables; results are shown in Tables 7 and 8.

## Primary Findings

Table 6 shows the mean performance and attitude scores for employees in jobs managed under each of the four employee-organization-relationship approaches. The ANOVA *F* was significant on all seven outcome variables. Hypothesis 1, which predicts that employees will have the highest performance on core tasks in the quasi spot contract and the next highest under mutual investment, overinvestment, and underinvestment, respectively,

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[1] Because the independent variable was obtained from the supervisors and there may be a potential confound between this variable and other aspects of supervisory behavior, we computed the correlations among the two dimensions of the employee-organization-relationship concept and the control variables. The correlations among these variables do not suggest a multicollinearity problem.

[2] ANCOVA assumes homogeneous regression slopes (of the covariates) across experimental conditions on the dependent variable. We checked this assumption by a Chow test (Greene, 1990), comparing the sum of squares of residuals for the individual regressions (between the control variables and each dependent variable) for each of the four employee-organization-relationship groups and then for the total group (four groups pooled).

**TABLE 6**
**Employee Performance and Attitudes under Four Employer-Defined Employee-Organization-Relationship Approaches[a]**

| Employee Outcomes | Hypothesis | Employee-Organization-Relationship Approach: Quasi Spot Contract | Underinvestment | Overinvestment | Mutual Investment | ANOVA $F$ |
|---|---|---|---|---|---|---|
| Performance | | | | | | |
| Basic task performance | 1 | | | | | |
| Mean | | $4.87_{a}$ | $4.88_{a,b}$ | $5.16_{b,c}$ | $5.22_{c}$ | 6.58*** |
| s.d. | | 1.02 | 1.12 | 0.91 | 0.92 | |
| $n$ | | 300 | 97 | 104 | 223 | |
| Citizenship behavior | 2 | | | | | |
| Mean | | $4.89_{a,b}$ | $4.77_{a,b}$ | $5.09_{a,c}$ | $5.29_{c}$ | 10.48*** |
| s.d. | | 1.00 | 1.15 | 0.84 | 0.81 | |
| $n$ | | 300 | 97 | 104 | 223 | |
| Dependable continuance | 3 | | | | | |
| Mean | | $4.68_{a}$ | $4.61_{a}$ | $4.71_{a}$ | 5.13 | 4.76** |
| s.d. | | 1.56 | 1.71 | 1.41 | 1.46 | |
| $n$ | | 297 | 97 | 103 | 224 | |
| Frequency of absences | 4 | | | | | |
| Mean | | $1.81_{a}$ | $2.05_{a}$ | $1.43_{a,b}$ | $1.07_{b}$ | 5.49*** |
| s.d. | | 2.44 | 2.36 | 1.58 | 1.47 | |
| $n$ | | 196 | 59 | 79 | 166 | |
| Attitudes | | | | | | |
| Affective commitment | 5 | | | | | |
| Mean | | $5.03_{a}$ | $5.09_{a}$ | $5.58_{b}$ | $5.46_{b}$ | 10.76*** |
| s.d. | | 1.26 | 1.16 | 0.96 | 1.06 | |
| $n$ | | 363 | 130 | 113 | 227 | |
| Perceived fairness | 6 | | | | | |
| Mean | | $3.95_{a}$ | $4.05_{a}$ | $4.40_{b}$ | $4.50_{b}$ | 10.11*** |
| s.d. | | 1.27 | 1.36 | 1.16 | 1.24 | |
| $n$ | | 351 | 127 | 111 | 224 | |
| Trust in co-workers | 7 | | | | | |
| Mean | | $5.16_{a}$ | $5.07_{a}$ | $5.37_{a,b}$ | $5.43_{b}$ | 3.66** |
| s.d. | | 1.23 | 1.38 | 1.24 | 1.11 | |
| $n$ | | 364 | 131 | 112 | 228 | |

[a] Means with the same subscript are not different from each other.
* $p < .05$
** $p < .01$
*** $p < .001$

was partially supported. However, the quasi spot contract, instead of yielding the highest levels of performance on core tasks, was associated with a low level of performance. That performance level was similar to that of employees working in underinvestment employee-organization relationships. The mutual investment and overinvestment approaches were, however, associated with the higher levels of performance. Thus, the ordering of performance level by employee-organization-relationship approach was as predicted except for the position of the quasi-spot-contract approach.

Hypothesis 2, which predicts that mutual investment will result in the highest level of organizational citizenship behavior (OCB), was supported. The rated OCB under the mutual investment employee-organization relationship was significantly higher than that under the quasi-spot-contract or underinvestment approaches, but it was not significantly higher than that for the overinvestment employee-organization relationship.

Hypothesis 3, regarding employees' intentions about continuance of employment, was partially supported. The ordering of the four employee-organization-relationship approaches was as predicted, with the exception that it was the mutual investment rather than the overinvestment approach that was associated with the highest level of intent to stay.

Hypothesis 4 predicts that dependable attendance will be highest with the mutual investment approach, second highest with the underinvestment approach, and lowest with the other two approaches. As Table 6 shows, that ordering in fact occurred. However, the mean scores for the mutual investment and overinvestment approaches were not significantly different from each other. Thus, as with the previous hypotheses, there was general but not total support.

The next three hypotheses involve attitudes as dependent variables. The first of these, Hypothesis 5, was fully supported. Affective commitment to the organization was significantly higher among employees in the overinvestment and mutual investment employee-organization relationships than among those working in quasi-spot-contract and underinvestment circumstances.

Hypothesis 6, relating to perceptions of fairness, was only partially supported. Fairness perceptions among employees working in the mutual investment and overinvestment conditions were significantly higher than those of employees working in an underinvestment arrangement, as predicted. However, contrary to prediction, fairness perceptions were not significantly higher with the quasi-spot-contract than with the underinvestment approach.

Hypothesis 7 predicts that employees in the mutual investment employee-organization relationship will report greater trust in co-workers than will employees working in quasi-spot-contract, overinvestment, and underinvestment relationships. This pattern in fact occurred, although the difference in co-worker trust between the mutual investment and overinvestment employee-organization relationships was not statistically significant.

In summary, the overall pattern of results shown in Table 6 indicates that both mutual investment and overinvestment were associated with higher levels of performance and more favorable attitudes than either the underinvestment or quasi-spot-contract approach. Mutual investment resulted in the best performance, scoring the highest on all four measures. It also resulted in the best employee attitudes, scoring highest on two of the three measures and almost tying for highest on the other measure.

### Analyses including the Control Variables

Results of the MANCOVA and ANCOVA procedures, which tested the main effect of employee-organization relationship after the effects of the eight control variables were removed, are shown in Table 7 for the performance measures and in Table 8 for the attitude measures.[3] The MANCOVA for the four performance variables is significant. The overall model accounted for 38 percent of the variance $(1 - \lambda)$. The net effect by employee-organization relationship, after the control variables were considered, is also significant, accounting for 7 percent of the variance $(1 - \lambda)$. The ANCOVA results, however, indicate that employee-organization relationship is significant for basic task performance and citizenship behavior, but not for dependable continuance and absences. In other words, the differences in means on the two dependability measures observed in the ANOVA analysis (Table 6) were not sustained after introduction of the covariates. Additional analyses revealed that older and longer-tenured employees were perceived to have the highest intent to stay; further, they reported the fewest absences, with women reporting more absences than men. However, since the assumption of homogeneity in the regression slopes for the covariates for this variable is not valid, some caution in interpretation is desirable. Nevertheless, further examination of the regression coefficients for the covariates in each regression model (for each employee-organization-relationship group) suggests that the signs are in the same direction, though some coefficients are significant while others are not. Supervisory support was associated with performance on core tasks and dependable continuance. The control variable for company was not significant for any of the four performance measures.

The MANCOVA results for the attitude variables (shown in Table 8) are also significant, with the overall model (including the controls) accounting for 41 percent $(1 - \lambda)$ of the variance in the dependent variables. Employee-organization relationship accounted for 5 percent of the variance after entry of the controls. The ANCOVA results, however, indicate that employee-organization relationship differentiated responses on two of the three attitude variables. It was significant (after accounting for the controls) for affective commitment and perceived fairness but not for trust in co-workers. Additional analyses indicated that older employees expressed a higher level of affective commitment and trust in their co-workers than younger workers. Female employees reported lower fairness perceptions and less trust in co-workers than male employees. Employees in higher-level jobs (i.e., managerial, relative to both professional and technical) reported more affective commitment to, but less trust, in co-workers. Supervisory support was signifi-

[3] The F* value from the Chow test suggested that the assumption of homogeneity was valid for three of the four performance variables but not for any of the attitude variables. Caution should be applied in interpreting the effects of the main independent variable as well as the results of the covariates where the homogeneity assumption was not satisfied.

**TABLE 7**
**Results of MANCOVA and ANCOVA: Effects of Employer-Defined Employee-Organization-Relationship Approaches on Employee Performance[a]**

**(a) ANCOVA**

| Variables | Core Task | Citizenship Behavior | Dependable Continuance | Absences |
|---|---|---|---|---|
| | **Dependent Variables** | | | |
| Control variables | | | | |
| Age | 2.66 | 1.39 | 30.99*** | 10.84*** |
| Company tenure | 2.32 | 2.26 | 21.69*** | 5.92** |
| Education | 0.01 | 0.69 | 0.04 | 0.02 |
| Gender | 0.45 | 0.03 | 0.18 | 22.09*** |
| Race | 1.80 | 4.39* | 0.56 | 0.09 |
| Job level | 0.55 | 5.28* | 0.00 | 1.62 |
| Supervisory support | 9.72** | 2.32 | 13.80*** | 1.21 |
| Company | 0.40 | 0.03 | 3.48 | 3.17 |
| Employee-organization relationship (eta squared) | 5.91*** (.04) | 3.49** (.04) | 2.30 (.03) | 2.33 (.02) |
| $R^2$ for overall effect | .08 | .06 | .15 | .10 |

**(b) MANCOVA**

| Test | Overall Effect | Net Effect by Employee-Organization Relationship |
|---|---|---|
| Hotelling's $T$ | .36 | .07 |
| Wilks's $\lambda$ | .72 | .93 |
| $F_T$ | 4.66*** | 2.71*** |
| $F_\lambda$ | 4.88*** | 2.71*** |

[a] $N = 453$ employees.
** $p < .01$
*** $p < .001$

cant for all three attitude measures. The higher the perceived level of supervisory support, the more favorable were employee attitudes. Finally, the company variable was significant for all three attitude measures, indicating that employee attitudes vary systematically across companies. However, even after consideration of company differences, employee attitudes such as affective commitment and fairness perceptions could still be predicted from the job-level employee-organization-relationship approach, as defined by the employer.

## DISCUSSION

The overall pattern of our results provides general support for what we have termed the mutual investment approach, where open-ended inducements provided by employers are balanced by open-ended contributions from employees. Employees under mutual investment employee-organization relationships generally performed better, as rated by both supervisors

**TABLE 8**
**Results of MANCOVA and ANCOVA: Effects of Employer-Defined Employee-Organization-Relationship Approaches on Employee Attitudes**

**(a) ANCOVA**

| Variables | Dependent Variables: Psychological Commitment | Perceived Fairness | Trust in Co-workers |
|---|---|---|---|
| Control variables | | | |
| Age | 14.31*** | 1.42 | 11.86*** |
| Company tenure | 1.72 | 7.14** | 0.20 |
| Education | 12.21*** | 4.28* | 3.18 |
| Gender | 0.19 | 13.56*** | 12.84*** |
| Race | 2.30 | 2.75 | 3.62* |
| Job level | 5.20* | 0.00 | 5.13* |
| Supervisory support | 153.83*** | 294.72*** | 122.89*** |
| Company | 11.02*** | 13.56*** | 6.34** |
| Employee-organization relationship (eta squared) | 7.42*** (.04) | 6.63*** (.04) | 2.04 (.01) |
| $R^2$ for overall effect | .23 | .32 | .19 |

**(b) MANCOVA**

| Test | Overall Effect | Net Effect by Employee-Organization Relationship |
|---|---|---|
| Hotelling's $T$ | .64 | .05 |
| Wilks's $\lambda$ | .59 | .95 |
| $F_T$ | 19.95*** | 3.83*** |
| $F_\lambda$ | 17.82*** | 3.81*** |

[a] $N = 757$ employees.
* $p < .05$
** $p < .01$
*** $p < .001$

and peers, and had more favorable attitudes than employees managed under any of the other three employee-organization-relationship approaches. The results in this study at the *job level* thus are highly consistent with both case studies and systematic accounts of similar approaches at the firm level. The mutual investment employee-organization relationship described here is similar to the high involvement system proposed by Lawler (1986, 1988, 1992), the commitment system discussed by Arthur (1992, 1994), and the salaried model reviewed by Osterman (1988), among others. For instance, Arthur (1994) found steel mills with "commitment" human resource systems to have higher productivity, lower scrap rates, and lower employee turnover than mills with "control" human resource systems. Lawler (1986, 1992) reported excellent economic performance for companies that adopted the high-involvement management approach. Our results show that, relative to employees in jobs characterized by any of the other three employee-organization-relationship approaches, employees in jobs characterized by mutual investment demonstrated the highest levels of core task performance and organizational citizenship behavior. The mutual investment approach, involving a combination of social and economic exchange, seems to yield the most returns in terms of productivity at the job level as well as the firm level, as reported by others. The findings on the attitude measures also suggest that employees seem to react best to this type of employment relationship.

The overinvestment approach produced results that are quite similar to those of the mutual investment approach, with one exception: Employees under overinvestment conditions were perceived by their supervisors and peers to be less dependable in terms of continuation of employment than employees under mutual investment. This finding is surprising, especially given that we postulated that overinvestment employees have an arrangement "too good to be true." Perhaps employees view employer-defined overinvestment as temporary and as unlikely to last. Also, it may be that the broad contributions made by mutual investment employees bind them to their organizations more strongly (Becker, 1960). Further investigation of this perception is a useful topic for future research.

We found that the underinvestment employee-organization relationship produced the worst results on both employee performance and attitudes. Evidently, employees managed by this type of employer-defined employee-organization relationship reacted by reducing their performance on core tasks, by refraining from engaging in citizenship behavior, and by being absent more often than others. These findings suggest a real dilemma for employers who have great need for employee task performance and citizenship behavior contributions but may be unable to afford a mutual investment or overinvestment approach. The results of the current analysis suggest that in adopting an underinvestment or a quasi-spot-contract approach, employers may sacrifice employee performance. Although workforce reductions may lead to reduced labor costs, decreased employee performance and commitment under these employment approaches may have a negative effect on firms in the long term.

Why was the hypothesized superior core task performance on the part of employees under the quasi-spot-contract employee-organization relationship not realized? There could be several explanations. First, it could be that this employment arrangement is suitable only for types of jobs that are not represented sufficiently in the current sample. As defined, the quasi spot contract resembles firms' relationships with contractors, who are usually hired to work on tasks that are relatively circumscribed and have definable performance outputs. By not including true contractors in this sample, we reduced the power of our test. A second possibility is that regular employees usually have some expectation of a long-term relationship, and this expectation is clearly violated for employees in quasi-spot-contract employee-organization-relationship arrangements. If this assumption is valid, their reaction to their employers is not entirely surprising. Alternatively, another possibility is that employers who provide mutual investment relationships may be more attractive to employees and so may be able to pick and chose the better performers. In any event, the question of why quasi-spot-contract employees did not perform best on core tasks in this study cannot be answered because of the limitation of the sample. Future research with a more comprehensive sample of all types of workers would be desirable to give a fair test of these possible explanations.

It is interesting that we found a significant company effect on the attitude measures. Employees in the ten companies varied on their psychological commitment, fairness perceptions, and trust in co-workers. These findings mean that other things about the companies (beyond those individual differences variables that were controlled) may influence employee attitudes. Yet, with the company-level factors (whatever they may be) controlled for via our company control variable, employee-organization-relationship approach at the job level provided additional information on employee attitudes. This company-level effect further strengthens the theoretical and empirical validity of the employee-organization-relationship concept.

A major management implication derived from the findings of this study is that an employee-organization-relationship approach must be chosen carefully. The approach taken must suit the needs of both the job and the employees being managed. In our study, for example, the quasi-spot-contract employee-organization relationship was being used to manage a variety of jobs. Perhaps the range of jobs appropriate to the quasi spot contract is narrower than organizational policy makers expect. It may be quite difficult to circumscribe responsibilities tightly and fully define outputs for employees, as opposed to contractors (Pearce, 1993). Some degree of interdependence may be needed in most jobs. Even more challenging is specifying performance outputs while protecting long-term organizational interests. What is interesting is that these difficulties may call into question the notion of the spot contract's being a balanced approach when used with employees who desire more than a concretely stipulated short-term relationship. Finally, the finding that both the mutual investment and the overinvestment approaches perform substantially better than the other two employee-organization relationships suggests that offering open-ended inducements and a high level of social exchange to employees is more important than balance in the exchange. This finding may have important implications for practice.

### Limitations

One limitation of the current study is our operational definition of the employee-organization-relationship framework. The current definition of employee-organization relationship captures only one form of inducement by an employer—investment in employees in terms of training and employment security. It is possible that other types of inducements, such as wages, benefits, and promotions, may be equally or perhaps even more important in defining employee-organization relationships. Also, the contribution measure in our study captures only one element of broad, open-ended (vs. narrow, closed-ended) contribution: whether employees are supposed to focus their attention on the work unit in addition to, rather than instead of, performance in their own jobs. Clearly, other dimensions of broad contribution, such as taking individual initiatives, exercising discretion in task decisions, and so forth, could be included in measuring this variable. Future research could explore the relevance and importance of other forms of inducements and contributions in defining the employee-organization relationship. Most likely, a combination of multiple forms on both the inducement and the contribution dimension of the employee-organization-relationship framework is essential. In other words, the employee-organization relationship is possibly configurational rather than unidimensional (Meyer, Tsui, & Hinings, 1993).

A second limitation is that our dependent variables were restricted to performance and attitudes assessed at the individual level. Group-level outcomes may be important for testing the proposed employee-organization-relationship framework. Group-level outcomes are especially meaningful when the contribution dimension is employee attention to group or unit performance, which is desired by employers adopting an overinvestment or mutual investment approach.

Last, an important limitation is that this study deliberately focused on employee-organization relationship as defined by one of the parties—the employer. For a complete picture, the employee side of the story will need to be incorporated. How do employees define the employment relationship? What are the important employer obligations, from the employee's perspective, and what do employees perceive to be their obligations to employers? How do employees define a fair or balanced exchange? What kinds of employees prefer the employment relationship to be a social versus a purely economic exchange, and vice versa? A comprehensive framework for understanding the employee-organization relationship will ultimately need to account for the employee's perspective as well as for the employer's viewpoint.

## Conclusion

This study represents a relatively comprehensive attempt to investigate the performance and attitudinal responses of employees to alternative employer-defined employment relationships. As such, the study involved samples of employees drawn from ten different organizations in five different competitive industries, and explicit attention was given to utilizing adequate measures of key variables, to reducing potential problems associated with common method variance, and to providing extensive statistical controls. Although no single study can provide conclusive evidence on issues as complex as those examined here, the results obtained are encouraging and suggest several important topics for future research.

The findings from the current study suggest that employees seem to respond favorably in terms of both performance and attitudes when employers are willing to commit to fairly long-term relationships with them. The outcomes are most favorable when employers also direct employees' attention to group or unit performance, in addition to their own jobs. These results support increased use of involvement teams or self-managing groups by employers. The benefits of this focus, however, cannot be realized unless employers are willing to offer some degree of employment security or career investment in employees. A variety of authors (e.g., Atchison, 1991; Lawler, 1986; Osterman, 1988; Strauss, 1987) have emphasized the importance of this policy of employer commitment. The results from this individual-level study provide evidence to support these views. In short, the employment flexibility of the quasi-spot-contract and the underinvestment approaches may involve a trade-off—reduced performance from employees. The mutual investment approach, in contrast, appears to provide deployment flexibility along with strong employee performance. Yet, as noted earlier, popular writings seem to indicate that many firms under competitive pressure have recently moved from using an overinvestment employee-organization relationship to using an underinvestment approach, at least in the short term. Although firms may need to rely upon underinvestment as a temporary means of weathering severe economic downturns, the results of the current study suggest that they should consider moving back toward the mutual investment approach in the long term to remain viable.

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