

## **“Keeping my side of the bargain”: A leader’s role in change**

**Dr. Deborah Blackman and Dr. Monica Kennedy**

**University of Canberra, ACT 2601**

In this study the researchers have taken a literary presentation style (Van Maanen 1988 in Stake, 2000: 441) to explore organisational change in a single case. Whilst a case has its own story, the researchers have retold the story to their own criteria of representation (Stake, 2000). This paper is based upon an organisation-wide change that was prompted by a new leader’s recognition of imminent crisis. Initially, a case study explores the process of change and the role of the leader in a change defined in terms of survival. The paper then progresses to a discussion of the conditions and consequences of a breach to the psychological contract through consideration of how the relationships between the leader and the employees altered over time. Of particular interest in the constructed case and this analysis are the initial development of a psychological contract, changing interactions between management and staff during the change and how this affected employee expectations, the psychological contract and, consequently, employment relationships.

### **KEEPING MY SIDE OF THE BARGAIN**

He didn’t start with the movie in mind, but the old Hitchcock film was on continuous loop in his head: *The 39 Steps*. It’s an old movie, first released in 1935, named after the villains in the piece - an organization of spies collecting information on behalf of the foreign office. It was by pure chance that the first draft of the strategic plan for change that Stephen had been working on included 39 steps. But the more he thought about it, the more apt the analogy seemed. The cloak and dagger, the intrigue, the misunderstandings, the attribution of blame, the positioning, the propaganda, the sheer suspense of working an enormous change through his organisation reflected all the Hitchcockian preoccupations. Even some of the characters seemed familiar; as he was being introduced at a recent staff forum he was sure he overheard an exchange in the audience that echoed one of his favourite quotes in the movie:

**Music hall announcer:** Ladies and Gentleman, with your kind attention, and permission, I have the honour of presenting to you one of the most remarkable men in the world.

**Heckler in Audience:** How remarkable? He’s sweating!

And he was. Stephen was facing the uncertainty that comes with trying to turn a business around. It was an incredible job – the organisation he had inherited had enormous potential, but gigantic problems: financial, cultural, and strategic. It had been two years since he had first wandered through the corridors and open spaces of the organisation, introducing himself, garnering a feel for this place he would lead, using his best detective skills in uncovering the issues and opportunities that would result in the success or otherwise of his efforts. But now, even after a mammoth effort, he knew that he hadn’t managed to bring everyone along with him, not to the 39<sup>th</sup> step, at least. Some staff he suspected had not yet reached the first step.

He himself was taking steps into unknown territory in this organisation, working himself to exhaustion trying to get across the intricacies of budgets, structures, processes, people – most importantly people. He thought he was good with people. He liked people. He valued the relationships he built and he felt he acted with integrity in his dealings with people. He worked hard to get people to trust him enough to give him some insight into the place. He invited input from every part of the organisation, from every perspective. He listened when he was given information and he focused on acting on what he heard. At first it seemed to be working.

Just the other day he had been sitting in a back corner of the café trying to get some reading out of the way and realised that the conversation at the table was about him, he listened closely, petrified at what would be said, but comforted by what he heard:

*“So, yeah, surprisingly enough, it looks like he takes on board all these suggestions that he gets, really genuinely. I suspect some times he doesn’t remember who it came from, he can’t.....but its there and he often takes more than one go at an issue....you know...its almost like instinct...first response. So people are sending up really valuable feedback, and he’s really looking for it, and I think people understand that... everybody sends him stuff, because they all know that it goes in. It looks like he’s planning to keep his side of the deal if we keep it up.”*

So listening was working, but some of the messages he had to send weren’t so easy to hear for the staff. In his first weeks in addition to walking the halls and shaking hands he began sending emails to try to get messages out as quickly as possible to as many people as possible and then backing it up with presentations to all staff.

*“We have a lot of hard work to do and some difficult decisions to make in the next six to eight months to “re-make the [organisation]” and bring life to the new vision. I hope now to be able to communicate with you each fortnight by email to ensure that all staff are kept up to date. I will be numbering these briefing notes, so that I can make reference to previous correspondence and also to ensure that you don’t miss any communication. Staff Fora are already scheduled over the next few months so that I can give you more detail than is possible in a broadcast email. The Staff Fora will also provide you with the opportunity to ask me questions and alert me to your concerns. All staff are urged to attend.”*

It was important to him to get the message out, but as time went on the message was increasingly worrying. The situation was worse than he had imagined, the more investigation he did, the more sinister it appeared – it seemed there was a problem to be found in every closet (see, the 39 Steps crept in to every aspect of his experience, although so far no real bodies to his relief), and of course the staff were concerned. He was concerned! But it was when he began speaking about fast action that the staff became really difficult to deal with. He made no bones about it. He faced the music, he faced the media and read the comments of his staff in those newspapers and recalled the quote from Richard Hannay as he was accused of murder in the Hitchcock film, ‘I know what it is to feel lonely and helpless and to have the whole world against me, and those are things that no men or women ought to feel’, and shuddered as he reminded himself that it was just the beginning.

He needed every member of the organisation to get a handle quickly on the situation and be ready to act to rectify it. He needed to have staff commit to changing, and he felt that honestly presenting the situation was the most appropriate approach. He communicated exhaustively about the critical need for the change and what it would incur. He made representations in person and in the press to the threats that the change implied. He backed up his requests for more information and feedback about the concerns and reassurances about the activities that would be developed to ensure that staff concerns would be allayed.

And then he got tired. ‘It’s the constant toil of bringing people along, really’, he reflected. He needed the feedback, he needed to get everyone involved in the process so that there would be some commitment to the progress, but was where he was heading so different from what he knew would have to happen in the first place? All these hours and days and weeks of consultation, of committees, of briefings, of presentations, of reports. He knew where they needed to head from the start, he has a clear vision for where they needed to be, but all the

time it's the questions to be answered and the rumours to be put to bed and the bodies to find in closets, to dress up and to bury!

Jillian was meeting with a group of women from the peer mentoring group for administrative staff in the office coffee shop. Looking up from her table Jillian could see Stephen standing his office window and felt a sudden sadness that this was her final day at the organisation to which she had been loyal for the past five and a half years. She did not blame him, not him personally, for her departure, but she couldn't separate him from her reflection on her decision to leave.

His impact on the organisation had been swift and unequivocal. His first address had marked a pivotal moment in the history of the organisation and for the climate of the administrative work areas, in particular. Immediately, the administrative staff had felt threatened, both collectively and individually. She felt an instant sense of injustice: how can he lay the blame for the organisation's lack of good management on our shoulders? 'We cost so little compared to the bigwigs in the executive floor's Mahogany Row; they should be the ones held accountable for the pickle we're in! Isn't it always the way.'

It hadn't taken long before the administrative staff had become frustrated by all those communications from the CEO – who had time to get their head around the changes? Not the admin staff, they were actually busy doing the work that keeps the business going! These staff just waited for the action and it was soon coming – reapply for jobs that they had been doing for years, substantiate their ability to perform in roles that they understood better than anyone else in the place! It was the lack of loyalty that really hurt, the commitments that they had made to the place that was beyond the job description, and nothing in return from the university – not even security in the future.

The specialist staff were more forgiving, of course. Well, their jobs weren't at stake in the early days. Josephine, for one, had been excited by the incoming CEO's focus, determination and clear vision for the organisation. Finally, she reflected, something is going to happen around this place that will bring us into the 21<sup>st</sup> Century! The boss was engaging, passionate, charismatic. He took time to communicate with staff, he even let them into his personal life. His quips about his teenage children and self-deprecating humour spiced up his all staff emails, and in his staff fora he was candid and inclusive. Josephine had been one of his greatest advocates. She was sympathetic to the administrative staff who were so disenfranchised with the organisation and its leadership, but, well, he had the numbers to back up his claims – the organisation was too heavy in admin. As Stephen exhorted, we needed to trim down, we needed to redress the ratio of specialists to administrative staff – how embarrassing (and organisationally dangerous) to be operating in the bottom third in the industry on this measure! The boss engaged the specialist staff at their level – as peers, as colleagues, as intelligent friends.

But lately, Josephine had been having some trouble buying into the whole 39 steps thing. The strategic plan was being pushed through, but she was losing faith in the rhetoric. She remembered a line from the movie that captured it quite nicely, actually, in the scene where the Sheriff finds a bullet in a hymn book... "And this bullet stuck among the hymns, eh? Well, I'm not surprised Mr Hannay. Some of those hymns are terrible hard to get through". There were so many impacts from the changes triggered in the plan, and the new middle management group were staking out their claims, making changes to programs and structures that were really well established and which represented huge investments by her colleagues. She felt distanced from the new plan and increasingly from the organisation. The people around her were unhappy, rumours about amalgamation with another organisation were gaining strength and the boss definitely seemed to have lost his Mojo! His promised briefings were sporadic, and when they

did arrive they seemed to have taken on a new tone - careful, formal, almost officious. And all of a sudden, the staff weren't singing along with the new hymns!

The period over the summer was the worst. Josephine didn't hear anything for months, she continued to get up and come in. She believed in the place and in her occupation. She was good in her area of expertise – she knew it, but without some sort of opportunity to show what she could do and some sense of being valued for it, without some way of having an input into the place, it seemed a waste. She would stay, of course she would, but she couldn't keep putting in when she'd lost faith in her managers and lost a relationship with her boss. The intrigue she could handle, the betrayal was another story.

## **METHODOLOGY**

In this case, the researchers responded to Gummesson's (2003: 485) criticism that '...a mere detailed description is not sufficient; [an] account must offer conceptualization and condensation or the researcher has not contributed interpretation and meaning' and responded with a literary approach to the telling of the case. The focus of this study is upon developing new perspectives about individual and organisational responses to crisis which offers the possibility of new theory (Creswell 2003). We followed Yin's (1993; 1994) interest in qualitative case study for this investigation as an in-depth investigation into a specific set of circumstances in a particular context was required. The approach taken to this research is instrumental (Stake 1995) and exploratory (Yin 1994). Our use of a single case in exploration of a phenomenon is supported by Yin (1994; see also Tellis 1997) who argued that, where the observer has access to novel, previously unexplained phenomena, single case studies are appropriate.

The organisation at the centre of this research is in flux (Blackman and Kennedy, 2008). A critical and organisation-wide change is underway and this provides a unique opportunity to investigate the processes and mechanisms in place and their impact on the change attempts. The researchers followed the change over a two year period. Primary data was gained via fourteen semi-structured interviews with the leader and key staff from a range of roles and occupations within the organisation both during and after major critical events. The interviews provided the researchers with the opportunity to "*...constantly compare this ongoing interview with [their] entire pre-understanding, based not only on theories and other studies but also on all previous interviews that [they] have done*" (Stjernberg, 2006: 145). In this way, a story was constructed which reflected not only the interviewee's perspectives, but the researchers' sense-making about how those perspectives related to their own experience and to the understandings of the theory that underpins analysis. In this way, the interviews contribute to the establishment of what remains "*the researcher's story*" (Stjernberg, 2006: 141). This research, then, does not aspire to be generalisable. "*In the course of observation, researchers create meaning from both constituted knowledge and the context of analysis to which they more or less explicitly refer*" (Arnaud, 2002: 102) and in so doing construct new knowledge that provides insight about the specific case which may, in turn, offer new perspectives through which to explore new avenues in organisational research.

Secondary data, including the leader's monthly change communications, senior managers' reports, media reports and the leader's quarterly presentations were analysed for evidence of the events occurring and changes in the form and content of communication. The researchers used NVIVO to assist in the process of thematic coding and followed Strauss and Corbin's (1998, p. 102) instructions that to "*...uncover, name, and develop concepts, we must open up the text and expose the thoughts, ideas, and meanings contained therein*". The researchers developed codes from the data, using, "What's happening here?" "How does this relate to what else is going on?" "What's this person really saying here?" "What's the underlying concept?" and

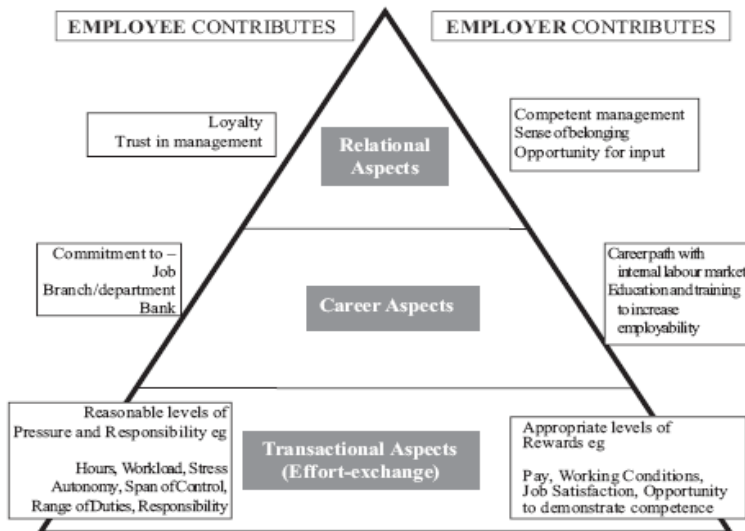
similar questions to investigate the text (Glaser and Strauss, 1967). Through questioning the data, the researchers developed a case that highlighted the themes central to organisational change in a time of crisis. However, explanation is not unambiguous – “...as business life is in many ways ambiguous, softer and more transient explanations are required in practice” (Gummeson 2003: 484)

In discussion of the case and of the findings, this paper uses the words of the participants, the text of secondary sources and the observation of the researchers and applies the data to Maguire’s (2002) model of the psychological contract; in doing this it became clear that there were breaches in expectations that led to the slowing down or prevention of change in the organisation.

### THE PSYCHOLOGICAL CONTRACT AND THE EMPLOYMENT RELATIONSHIP

There is considerable literature outlining the psychological contract and its impact upon employee perceptions via the exchange relationships that exist within organisations (McFarlane Shore and Tetrick, 1994; Eddleston, Kidder and Litsky 2002; Rousseau, 1995). It is argued that there are tacit, but clearly demonstrable, expectations on behalf of both the employee and employer; if either party fails to deliver their side of the ‘bargain’ a breach is perceived which affects the preparedness of the other party to deliver high levels of reciprocal effort. Litsky, Eddleston and Kidder (2006) stress the role of relational aspects of the psychological contract in building trusting relationships in organizations in their investigation of bargain, breach and effort. Kissler (1994) argues that there have been changes in employee views of self-worth and that employers are increasingly expected to support personal accomplishments in exchange for increased flexibility and autonomous working. As a part of the psychological contract an employer may be expected to provide more access to learning, development support and opportunity for personal growth through mutually beneficial work (Corsun and Enz, 1999).

Figure 1: Three tier model of the psychological contract (Maguire, 2002: 170).



Maguire’s (2002) model (Figure 1) outlines the role of the psychological contract in work relationships, drawing attention to the ways in which relational breaches by the employer lead to employees’ experience of dissonance, the reduction of which may prompt employees to engage in search behaviours. The model highlights differing employee expectations that encompass three aspects of the contract: transactional, career and relational (see also D’Annunzio-Green

and Francis, 2005). Each employee's perception of the contract will differ from others' (McFarlane Shore and Tetrick, 1994) and leaders must manage the expectations developed from these perceptions rather than acting on their own perception of reality. In times of change leaders need to be cognisant of the reciprocal expectations present in the relationships they build with staff members, and those that they create in implementing change. If these reciprocal expectations are violated, there is likely to be a reduction in buy-in to any change; in particular Macguire (2002) argues that organizational leaders need to focus on the relational level of the contract as employees become more willing to search out other employment opportunities when their expectations are unmet. In a context of changing and contemporary constructions of work, features of the psychological contract such as loyalty are eroded; further erosion may occur when the employment relationship is altering as a result of planned change.

Lepak and Snell (1999) identify four forms of human resources architecture: alliance, contract, internal development and acquisition. They argue that each of the four forms represents a different type of employment relationship. What structures this architecture is the way that the leaders perceive the human resources and their contribution to the organisation. For example, where employees are seen as organisational allies, the system will be collaborative and the relationship between leaders and staff will be partnering. However, if there is a contract mentality on the part of management there will be a compliance focus for staff and the employment relationship will be transactional and easily breached. If, as is often claimed, there needs to be employee 'buy-in' for effective change (Waddell, Cummings and Worley, 2007), then presence of a transactional relationship and the lack of a more collegial relationship will reduce the opportunities for change success. The way that leaders perceive and manage the exchange relationships within an organisation will directly affect the form of employment relationship and the potential for change success. More particularly, where an extant form of relationship is changed (accidentally or deliberately) as a result of change activity, the change may be viewed negatively; particularly if there is a perceived change from a softer, positive form such as partnering or internal development to a harder form such as contract or acquisition.

Table 1: Changes to the Psychological Contract over Time

	Time 1		Time 2	
	Administrative Employees	Expert Employees	Administrative Employees	Expert Employees
Relational Level	New boss arrived with a track record of management and was welcomed in recognition of a need to solve problems. Many attempts to bond with all employees via regular, personal communication, developing an increasing sense of organisational self.	New boss arrived with a track record of management and was welcomed in recognition of a need to solve problems. Many attempts to bond with all employees via regular, personal communication, developing an increasing sense of organisational self.	Concerns raised as to senior management team competence. Less input being sought as not seen as core to business. Sense of belonging lost as the boss's style changed and communication quantity reduced.	Concerns raised as to senior managerial competence. New middle managers were not seen as performing. Reduced sense of ability to contribute to the organisation's future as communication reduced and feedback not requested.
Career Level	Totally disrupted as jobs were reduced, people had to reapply for their own jobs and previous certainty as to job security was undermined, Training and employability	Mostly undisturbed, in fact open avowals that they were valued and considered key to the future and must be supported. Discussions were widespread of new	Discussion of further job cuts and outsourcing. New structures reduced commitment as old relationships and senses of belonging were lost as well as apparent opportunities	Career path increasingly uncertain – rumours of organisational amalgamation. Lack of information about employment futures and the ongoing roles

	options were removed. Felt they were not valued.	opportunities and the possibilities of expansions to overworked teams via money redistributed from administrative savings.	for the future.	and competitiveness of the organisation. New staff, and expected service improvements had occurred.
<b>Transactional Level</b>	All was changing – terms, conditions, service agreements etc. They were doing with fewer people and could see little changes of improvement in the near future.	No real change. Expectations were raised in terms of improvements in low perceived service and support from the administrative sections.	Increased hours of work, reduced autonomy, responsibility. Increased stress as jobs remained uncertain. A perceived move from an alliance to a contract architecture.	Job satisfaction decreasing as individuals fail to receive feedback on progress/ improvement. Little opportunity to demonstrate competence as external experts brought in to review and recommend futures.
<b>Outcomes in terms of Employee Contribution</b>	Low commitment. Increased distrust and reduced effort and flexibility. No buy in to the change.	Many bought in to the planned changes. Few were actively distrustful. There was concern for administrative colleagues but acceptance that change was required	Low levels of affective commitment. Higher turnover and lack of flexibility. Active resistance to some changes	Reduced trust and loyalty, low commitment to change and active resistance to some plans.

The psychological contract and its effect upon the employment relationship can be used as an explanation of certain events that took place during planned change within the case. Although the leader followed a change strategy that would be considered exemplary by many change management texts (Blackman and Kennedy 2009), apparently inadvertent perceived breaches of contract, led to reduced employee commitment to both the change and the leader. Table 1 identifies changes that have occurred over time and demonstrates the altered relationships leading to violations and breaches in the psychological contract and their impact on the employee relationship. The changed outcomes in terms of employee contribution can be seen to reduce the effectiveness of organisational change. The problem is seen not necessarily to be the result of the changes themselves, but of the expectations of employees.

## DISCUSSION AND IMPLICATIONS

In this case, an incoming leader undertook a program of comprehensive change as a result of his recognition of the organisation's failing financial and market position. The urgency for change was real, and the leader was focused on quickly developing relationships with staff to ensure their commitment to change attempts. This study illustrates the influence of the leader's communication with staff on employees' shifting psychological contracts with the organisation. This shift was particularly evident where the rhetoric of priorities for the organisation and operational reality conflicted, and where communication was missing or inadequate. Of central importance to the potential success of the change was the leader's focus on innovation and adaptation, juxtaposed against organisational members' growing scepticism about the value of the change as they progressed along the coping cycle (Carnall 2003: 244).

Analysis also pointed to a changing mediated relationship between the leader and organisational members, and this relationship is implicated in the shift in organisational members' psychological contracts. The style adopted by the leader shaped employee

expectations. A change in the leader's interactional approach was perceived as a relational breach and this compounded perceived violations and breaches of transactional and career contracts. As result of the perceived violations of contract both administrative and specialist staff withdrew support and reduced effort which directly undermined the leader's intentions for change. Interestingly, and perhaps because the 'bargain' between leader and staff was not made explicit, and the contract was never in balance: administrative staff were expecting problems from the outset and could see little hope of the balance being redressed whilst the expert staff entered to be what they considered to be a very positive bargain but were subsequently disappointed. What this shows is that the psychological contract balance is an important, but currently poorly managed aspect of the leader-member relationship in change.

The study is limited in its exploration of a very narrow slice of organisational experience. It artificially bounds the experience at the edge of the organisation, where the boundary in reality is shown to be difficult to define. It does not propose to be generalisable, exploring as it does an experiences in a very limited sample, instead it aims to represent the experience of a few organisational members in an attempt to better understand the impact of communication and change on the psychological contract in a single organisation. The study suggests that an area for future research is the impact of the initial development of a psychological contract between a leader and organisational members on positive employment relationships during the enactment of change.

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