# Psychological contract breach, leader-member exchange, perceived ethical climate and organisational justice: Are they interrelated and how?*

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Psychological contract breach (PCB) received theoretical and research attention due to its prevalence and its severe individual and organisational consequences. Responding to calls to study organisational contexts and theoretically based moderators on employees' reactions to PCB, the current study investigated the associations between PCB and LMX, and PCB and organisational justice, and the moderation of perceived ethical climate (PEC) on these associations. A research questionnaire measuring the study variables was completed by 716 participants. Regression analyses were executed to examine the research hypotheses. PCB was negatively related to LMX and to organisational justice. In addition, PEC moderated the associations between PCB and LMX, as well as procedural and interactional justice. Findings are discussed and both theoretical and practical implications are addressed.

Keywords: ■■■

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In recent decades, business practitioners and academics in the field of social sciences and business administration have increasingly recognized the role and sig-

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nificance of the code of ethics in the workplace. This is largely due to the abundant evidence linking good ethics with good business (e.g., Roman/Ruiz 2005; Grisaffe/Jaramillo 2007). Conversely, poor ethics is associated with poor business. This axiom is especially true regarding the effect of flawed management-employee relations on worker satisfaction and productivity. One specific instance of deleterious ethical behaviour on the part of management is its failure to live up to its side of the work contract with the employee.

## The psychological contract and psychological contract breach

The psychological contract is the foundation of the employee-organisation relationship and it is comprised of beliefs about reciprocal obligations between the two parties (Schein 1965; Rousseau 1989). The psychological contract is defined as an individual's expectations regarding the obligations that exist between an employee and an organisation (Rousseau 1995). This psychological contract is one form of the social exchange relationship that develops between employees and their organisations and it has been conceived as an important framework for understanding employment relationships in organisations (Shore/Tetrick 1994). Pointedly, a core element of the psychological contract is employees' belief that their organisations will fulfil their commitments. However, when employees perceive that their organisations have failed to fulfil promised obligations, they experience psychological contract breach, PCB (Robinson/Rousseau 1994; Rousseau 1995). Psychological contract breach is a common occurrence in organisations, the outcome of which has serious individual and organisational implications (McLean et al. 1994; Parks/Kidder 1994; Robinson/Morrison 1995; Robinson 1996). Indeed, PCB has been verified as a solid predictor of negative workplace outcomes (Zhao et al. 2007; Tran Huy Phuong 2013).

More specifically, PCB refers to the cognitive evaluations of employees about their organisations' failures to fulfil the promised obligations tacitly agreed on in the employment relationship (Morrison/Robinson 1997). Employees who experience PCB are inclined to feel treated unfairly and their trust in, and respect for, management are damaged (Folger/Cropanzano 1998; Lo/Aryee 2003). According to Rousseau and colleagues, the effects of the breach on relationships are severe, long lasting, and very difficult to repair (Robinson et al. 1994; Rousseau 1989).

Once a breach has occurred, employees enter into a sense-making process that determines their response to the breach (Morrison/Robinson 1997; Folger/Cropanzano 1998). For example, employees may understand the breach to be due to management's unwillingness to comply with the contract or due to the organisation's inability to do so. These various and specific subjective perceptions of the "wronged" employees have a tremendous impact on how PCB is experienced and what the "victims" will do in response (Rousseau 1995). Indeed, these

experiences generally have serious negative individual and organisational implications that include feelings of betrayal, anger, and resentment (Rousseau 1989), as well as attitudinal and behavioural reactions, such as reductions in commitment and productivity (Zhao et al. 2007).

The current study is a response to calls from several scholars to investigate specific factors that, in their view, have been relatively neglected by researchers of PCB. These include:

(1) Fairness concepts and their effect on worker attitudes and behaviour (Ambrose/ Schminke (2009) and Lind (2001 a), among others);

(2) The significance of loyalty as a factor affecting the outcomes of PCB (Zhao et al, 2007), based on a review of PCB outcomes using Farrell's (1983) Behavioural Reaction Classification;

(3) The effect of organisational context on employees reactions to PCB (e.g., Rosen, Et al. 2009; Wang/Hsieh 2014);

(4) The use of more elaborate models involving theoretically based moderators on employees' reactions to PCB (e.g., Zhao et al. 2007).

We thus investigate concepts related to the employee's perception of the overall fairness of his organisation. Notably, we take heed of, and emphasize, Tornblom and Vermunts' (1999) observation that these concepts can be viewed as an overall Gestalt that affects employees' attitudes and their work behaviour. Specifically, we examine:

(1) The associations between PCB and leader-member exchange (LMX), which is related to loyalty;

(2) The associations between PCB and organisational justice (the ways in which employees view their treatment by management);

(3) The associations between PCB and perceived ethical climate (PEC), which is related to the organisational context; and

(4) The extent to which PEC moderates the associations between PCB and LMX and PCB and organisational justice, respectively.

In sum, we broaden the body of knowledge associated with psychological contract breach.

### Leader-member exchange

Leader-member exchange (LMX) theory, developed by Graen and his colleagues (Graen/Uhl-Bien 1995; Graen 2003), denotes the quality of the relationship between employees and their immediate supervisors. Graen et al. defined a high-quality relationship as one characterized by trust, loyalty, respect, and obligation, values that generate mutual influence between the subordinate and the leader. In contrast, a low-quality relationship is based solely on the formal job requirements and employment contract; it has been shown to be related to the psychological distance between the parties (Graen 2003). The nature of this rela-

tionship also determines the distribution of resources and time invested between managers and employees (Yammarino/Naughton 1992; Yukl/Fu 1999).

High-quality LMX may provide subordinates with both intangible and tangible benefits. Intangible benefits include a trust-based relationship, greater growth opportunities, and higher levels of support (Bauer/Green 1996; Graen 2003). Tangible benefits include decision-making latitude (Scandura et al. 1986), promotability, and salary progress (Wayne et al. 1999). LMX is premised on the notions of social exchange (Blau 1964) and reciprocity (Adams 1965) and, indeed, subordinates offered high-quality LMX were found to express positive work attitudes (Gerstner/Day 1997), elevated levels of in-role performance (Graen 2003), and extra-role performance (Oren et al. 2012).

While the relationship between LMX and PCB has received scarce research attention (Suazo et al. 2008; Restubog et al. 2011), it should be noted that both constructs are embedded within a broader social exchange relationship and, as such, are regarded as important workplace relationships, namely: PCB with the organisation and LMX with the supervisor (Rousseau 1998). The organisation is responsible for the creation of organisational provisions and policies, but key organisational agents, such as immediate supervisors, are the ones who implement these provisions. Prior research suggests that supervisors play an especially meaningful role in the development and maintenance of the psychological contract (Rousseau 1995). As a result, employees are more likely to view their immediate supervisors as the chief agents for establishing and maintaining the psychological contract (Shore/Tetrick 1994).

For many employees, the immediate supervisor represents the organisation and, therefore, employees who feel unfairly treated by the organisation are expected to have negative feelings toward their immediate supervisor. In this regard, Restubog et al. (2010) found that a close relationship with the supervisor may even worsen (and not weaken) worker responses to PCB – consistent with the explanation that the employee feels betrayed. Indeed, LMX was found to be a predictor of PCB (Suazo et al. 2008) and, substantiating this finding, negative relations between LMX and PCB were found among Philippine employees (Restubog et al. 2011).

Based on the aforementioned research we hypothesized that:

*Hypothesis 1.    PCB will be negatively related with LMX.*

### Organisational Justice

Justice-related consequences include some of the most important outcomes studied by management researchers. For example, perceptions of unfair or unjust treatment have been associated with many harmful effects including negative health outcomes, intentional deviant behaviours, and withdrawal behaviours

(Pinder 2008). To explain the power of justice-related phenomena, we must recognize that employees in organisations constantly tend to examine the actions taking place within the organisation, in an attempt to determine whether a specific action taken by management was fair or, in other words, whether justice exists within the organisation. To this end, employees explore according to three types of criteria: The first – elaborated upon in the Distributive Justice Theory (Adams 1965) – relates to practical implications, i.e. personal gain or loss, which derive from the employee's feeling that the management decisions reached were just and right. The second criterion relates to the way in which the decision to take action was made: the employee assesses whether the processes that led to the decision were fair (Thibaut/ Walker 1975; Leventhal 1980). The third criterion relates to the approach adopted during the preparation and application of the action (Sheppard et al. 1992), namely, the treatment employees receive during the planning process and implementation, their consequent perception that the organisation imparted new information, and their sense that management treated them with due consideration and fairly. These three dimensions reflect, each in its own way, the degree of respect that employees feel they command from the organisation and their employers. For a further discussion of this approach to fairness, see the examination of Interactional Justice Theory (Tyler/ Bies 1990).

The associations between PCB and organisational justice seem to be almost straightforward. On the one hand, as PCB is concerned about the losses to the personal interests of an individual employee, it may not necessarily be in line with unfair treatment given to other employees. On the other hand, employees' perceptions of PCB and organisational justice share an underlying theme of fairness (Andrews/Kacmar 2001), and both relate to employees' perceptions of their organisational exchange relationship (Blader/Tyler 2005; Rosen et al. 2009). Indeed, several studies found negative associations between PCB and organisational justice (e.g., Kickul et al. 2002).

Based on the above, we hypothesized that:

*Hypothesis 2.     PCB will be negatively related with organisational justice.*

### Perceived ethical climate

Perceived ethical climate (PEC) is defined as, "the shared perceptions of what is regarded [as] ethically correct behaviours and how ethical situations should be handled in an organisation" (Victor/Cullen 1987:51). PEC can be considered a subcategory of organisational work climate (Key 1999) and can be subsumed by the broader definition of organisational culture (Cullen et al. 1989). In particular, PEC relates to organisational norms that have a direct influence on organisational practices with strong ethical implications; it reflects shared perceptions about

what is allowed and what is prohibited in respect to moral issues in the organisation (Victor/Cullen 1988). Studies have shown that a positive ethical climate in the workplace generates feelings of trust, perceptions of autonomy, identification with and support for the organisation and, not surprisingly, a positive ethical climate confers beneficial effects on the individual's emotional-psychological state (Victor/Cullen 1988; DeConinck 2011). In contrast, however, following Martin and Cullen's (2006) review, there appears to be a dearth of studies regarding the potential negative, undesirable outcomes of a poor ethical climate, such as PCB related to PEC.

Based on Kohlberg's (1969) three levels of moral development, Victor and Cullen (1988) proposed a useful three-dimensional conceptual structure of ethical climates that consists of Egoism, Benevolence, and Principle. Egoism refers to behaviour that is concerned chiefly with promoting self-interest. Benevolence refers to decisions and actions taken to produce the greatest good for the greatest number of people. Principle relates to decisions reached and actions taken in accordance with laws, rules, codes, and procedures (Simha/Cullen 2012).

*Psychological contract breach and ethical work climate*

Our knowledge of the consequences of PCB is extensive and, as indicated above, breach is consistently found to predict negatively on work attitudes (e.g., satisfaction) and work performance, such as citizenship behaviour (e.g., Zhao et al. 2007). However, relatively less is known about the factors that lead to *global* evaluations of PCB. For example, it is unclear how perceptions of the social context of organisations affect the relationship between PCB and employees' attitudinal and behavioural responses (Robinson/Brown 2004; Shore et al. 2004). Moreover, employees seldom react similarly to their PCB across different organisational contexts (Dulac et al. 2008). According to studies (e.g., Glassman/ Mcafee 2005), when employees have to make moral decisions in response to PCB, one important situational source on which they rely is the organisational normative system, namely, PEC. PEC may affect employees' reactions to negative work events they encounter on their jobs because it serves as a perceptual lens through which employees diagnose and assess their job situations (Cullen et al. 2003). Indeed, PEC was found to moderate the relationship of PCB and acquiescent silence among 273 employees in high-tech firms in Taiwan (Wang/ Hsieh 2014).

In the present study, we argue that perceived ethical climate (PEC), conceived as employees' perception of their organisations' moral context, can act as a moderator on the relationship between PCB, LMX and organisational justice. For example, under a higher level of PEC, the atmosphere of justice and fairness permeating an organisation can make employees cautious when identifying the causes of their PCB. They are less likely to attribute the breach to an act inten-

tionally committed by their organisations. In such a positive context, misunderstandings of the mutual expectations by their organisation, or other uncontrollable events at work, are more likely to serve as the workers' causal interpretations for the PCB.

Indeed, evidence exists indicating that employees will have a greater level of trust when organisational leaders are viewed as possessing high integrity and honesty (Dirks/Ferrin, 2002; Treviño et al. 2003), a proposal that was substantiated by links found between PEC and ethical behaviour of successful managers (Deshpande 1996 b; DeConinck 2011). In addition, high PEC may provide employees with an atmosphere of safety, which can work to reduce their mistrust or interpersonal hostility (Young/Daniel 2003) toward their immediate supervisor (Walumbwa/Schaubroeck 2009).

Hence, a higher level of PEC is likely to help mitigate the direct, negative effects of PCB on LMX and the adverse perceptions of organisational justice. In contrast, under lower levels of PEC, employees are more likely to think their PCB has been expedited purposefully by their organisations, a cognition which confirms their subjective impressions about a low ethical climate in the organisation.

Based on the aforementioned rationale and studies we hypothesized that:

*Hypothesis 3.*    *The association between PCB and LMX will be stronger among participants reporting a low level of PEC, compared to those reporting a high level of PEC.*

*Hypothesis 4.*    *The association between PCB and organisational justice will be stronger among participants reporting a low level of PEC, compared to those reporting a high level of PEC.*

## Method

### Participants

Our sample was comprised of 716 participants in Romania, employees of the public sector (11.7%), non-profit organisations (3.1%), private sector companies (61.7%), and self-employed (23.5%). Gender was distributed evenly across the sample with 54.6% composed of women and 45.4% composed of men. The mean of age was $M = 30.7$ ($SD = 9.1$). We also measured seniority as years of tenure, with a mean of $M = 5.00$ years ($SD = 5.6$). Most of the workers were full-time employees (84%) with only 16% part-time employees. Finally, 6.6% staffed top management positions, 25.8% middle management positions, 25.5% were professionals, 21.7% occupied administrative jobs, 14.9% pursued technical jobs, and the remaining 5.5% were not classified.

## Instruments and measures

We created a composite questionnaire for our study that was completed and returned by the participants. The questionnaire was composed of four separate sections and was structured according to the following division, with all items measured on a 6-point scale, ranging from 1 (agree very little) to 6 (agree very much).

*Psychological contract breach.* This construct was measured by the five-item scale developed by Robinson and Morrison (2000). Sample item: "My employer has broken many of his promises to me even though I've upheld my side of the deal". Cronbach's alpha for the reliability of this measure was .86 (M=2.33; SD=0.89).

*LMX.* The quality of the leader-member exchange relationship was measured by items taken from the Liden and Maslyn's LMX questionnaire (1998), which is comprised of 33 different statements designed to measure the quality of the relationship between managers and their subordinates. The questionnaire contains statements that describe the extent to which subordinates are satisfied with the manager's functioning as well as an overall evaluation of the manager. Cronbach's alpha for the reliability of this measure was .97 (M=3.52; SD=0.74).

*Organisational justice.* We used 20 items from the organisational justice questionnaire (Colquitt 2001), the objective of which was to provide perceptions of the different types of justice (distributive, procedural, and interpersonal). Within this cluster of items, seven statements related to procedural justice (e.g., "Have you been able to express your views and feelings during those procedures?"); four statements related to distributive justice (e.g., "Are your rewards appropriate for the work you have completed?"); four items related to interpersonal justice (e.g., "Treated you in a polite manner"); and five items related to informational justice (e.g., "Has been candid in his or her communication with you"). An exploratory factor analysis, conducted on the 20 items, revealed three factors with eigenvalue greater than 1.0 (see Table 1). The first factor – interpersonal justice – accounted for 25.47% of the variance. The second factor – procedural – accounted for 17.63% of the variance. The third factor – distributive – accounted for 17.08% of the variance. This is consistent with previous studies (Karriker and Williams, 2003). Cronbach's alphas were .91 for interpersonal justice (M=3.64; SD=0.81), .82 for procedural justice (M=3.31; SD=0.80), and .92 for distributive justice (M=3.32; SD=1.07).

*Ethical climate*. The fourth part of our questionnaire measured ethical climate employing 27 items from Victor and Cullen's (1988) extensively developed and refined Ethical Climate Questionnaire (ECQ). Sample item: "In this organisation, people are concerned about themselves". An exploratory factor analysis, conducted on the 27 items, revealed three factors, but two of them had unaccept-

ably low coefficient alphas (< 0.70). Consistent with previous studies (e.g., Wang and Hsieh, 2014), an overall score was computed. Cronbach's alpha for the reliability of this measure was .83 (M=3.33; SD=0.43).

As indicated above, six-point scales were used for the responses on all measures of this study. This method was employed due to the second author's prior experience indicating that a format using an even number of points is less susceptible to central tendency error than one with an odd number.

Finally, in the final section of our questionnaire, we also measured the previously mentioned demographic variables.

## Results

Harman's one-factor test (Podsakoff, et al. 2003) was employed to assess the degree to which intercorrelations among the variables might be an artefact of common method variance (CMV). The first general factor that emerged from the analysis accounted for only 30% of the explained variance. While this result does not rule out completely the possibility of this artefact, following Podsakoff et al. (2003), less than 50% of the explained variance accounted for by the first emerging factor indicates that it is unlikely that common method error (bias) is an explanation of our investigation's findings.

Descriptive statistics and zero-order correlations between the key variables are presented in Table 2.

The results indicate expected levels of intercorrelation between the three types of justice components, which range from .54 to .57 (all significant at p < .01). Positive correlations were also observed between LMX and the three types of justice. PEC was positively correlated with LMX and the three types of justice. Finally, PCB emerged strongly negatively associated with PEC (r = -.33, p < .01), LMX (r = -.46, p < .01), and the three aspects of organisational justice (r = -.41--.50, p < .01); thus, Hypotheses 1 and 2 were firmly corroborated.

Following Baron and Kenny's (1986) guidelines for examining moderating effects in continuous variables, hierarchical regression analyses were performed to examine the extent to which PEC moderates the associations between PCB and LMX and PCB and organisational justice.

In the first analysis, LMX was the dependent variable (see Table 3). PCB, entered in the first step, accounted for 47% of the variance of LMX. PEC, entered in the second step, accounted for 6% of the variance of LMX. Lastly, the (centred) interaction term PCB x PEC, entered in the third step, accounted for 2% of the variance of LMX.

**Table 1. Varimax-Rotated Factor Structure on the organisational justice questionnaire**

| Item | Factors | | |
|---|---|---|---|
| | Interper-sonal | Procedu-ral | Distribu-tive |
| Treated you with dignity? | **.79** | .23 | .11 |
| Treated you with respect? | **.78** | .19 | .08 |
| Has been candid in his or her communication with you? | **.78** | .07 | .23 |
| Treated you in a polite manner? | **.76** | .23 | .11 |
| Were his or her explanations about the procedures reasonable? | **.67** | .23 | .33 |
| Has explained the reward procedures thoroughly? | **.67** | .26 | .22 |
| Has he or she communicated details in a timely manner? | **.65** | .19 | .34 |
| Has he or she tailored his or her communications to individuals' specific needs? | **.62** | .18 | .35 |
| Refrained from improper remarks or comments? | **.61** | .09 | .11 |
| Have those procedures been applied consistently? | .25 | **.76** | .18 |
| Have you had influence over the reward arrived at by those procedures? | .18 | **.72** | .13 |
| Have those procedures been based on accurate information? | .27 | **.68** | .16 |
| Have those procedures been free of bias? | .07 | **.67** | .06 |
| Have you been able to express your views and feelings during those procedures? | .29 | **.62** | .21 |
| Have been able to appeal the reward arrived at by those procedures? | .01 | **.61** | .26 |
| Have those procedures upheld ethical and moral standards? | .23 | **.57** | .17 |
| Are your rewards appropriate for the work you have completed? | .24 | .23 | **.85** |
| Is your reward justified given your performance? | .21 | .25 | **.83** |
| Do your rewards reflect the effort you have put into your work? | .25 | .26 | **.82** |
| Do your rewards reflect what you have contributed to the organisation? | .32 | .22 | **.78** |
| Eigenvalue | 8.41 | 2.07 | 1.51 |
| Percentage of variance explained | 41.54 | 10.86 | 7.78 |
| Cumulative percentage of variance explained | 41.54 | 52.4 | 60.18 |

*Note:* N = 716

**Table 2. Means, standard deviations and Pearson zero-order correlations among study variables**

| 5 | 4 | 3 | 2 | 1 | SD | M | |
|---|---|---|---|---|---|---|---|
| | | | | | 0.89 | 2.33 | Psychological contract breach |
| | | | | -.33** | 0.43 | 3.33 | Perceived ethical climate |
| | | | .37** | -.46** | 0.76 | 3.54 | LMX |
| | | .49** | .24** | -.45** | 0.80 | 3.31 | Procedural organisational justice |
| | .54** | .54** | .24** | -.41** | 1.07 | 3.32 | Distributive organisational justice |
| .57** | .55** | .72** | .34** | -.50** | 0.81 | 3.64 | Interactional organisational justice |

Notes: *p < .05 **p < .01

**Table 3. Hierarchical regression results for variables predicting LMX and organisational justice**

| Predicted variable: | LMX | | Distributive justice | | Procedural justice | | Interactional justice | |
|---|---|---|---|---|---|---|---|---|
| Variables | $\beta$ | $\Delta R2$ | $\beta$ | $\Delta R2$ | $\beta$ | $\Delta R2$ | $\beta$ | $\Delta R2$ |
| Step 1 | | .47 | | .41 | | .47 | | .50 |
| PCB | -.47*** | | -.41*** | | -.47*** | | -.50*** | |
| Step 2 | | .05 | | .02 | | .02 | | .03 |
| PEC | .24*** | | .12** | | .13*** | | .19*** | |
| Step 3 | | .01 | | .00 | | .01 | | .01 |
| PCB * PEC | .08** | | .04 | | -.07* | | .11** | |
| Overall F for equation | 91.41*** | | 53.74*** | | 74.54*** | | 99.33*** | |

*= p<.05, **= p<.01, ***= p<.001

Three more analyses were performed with distributive, procedural, and interactional justice as the dependent variables (see Table 3). PCB, entered in the first step, accounted for 41%, 47%, and 50% of the variance of distributive, procedural, and interactional justice, respectively. PEC, entered in the second step, accounted for 2%, 2%, and 3% of the variance of distributive, procedural, and interactional justice, respectively. Lastly, the (centred) interaction term PCB x PEC, entered in the third step, accounted for 1% of the variance of procedural as well as interactional justice.

To interpret these findings, significant interactions were graphed showing the regression lines for participants scoring high [on PEC] (1 *SD* above mean) and low (1 *SD* below mean) (Aiken and West, 1991). Figure I shows the moderating effect of PEC on the relationship between PCB and LMX. Among employees who reported low PEC, lower levels of LMX were found among participants who were high on PCB than among participants who were low on PCB. Figure
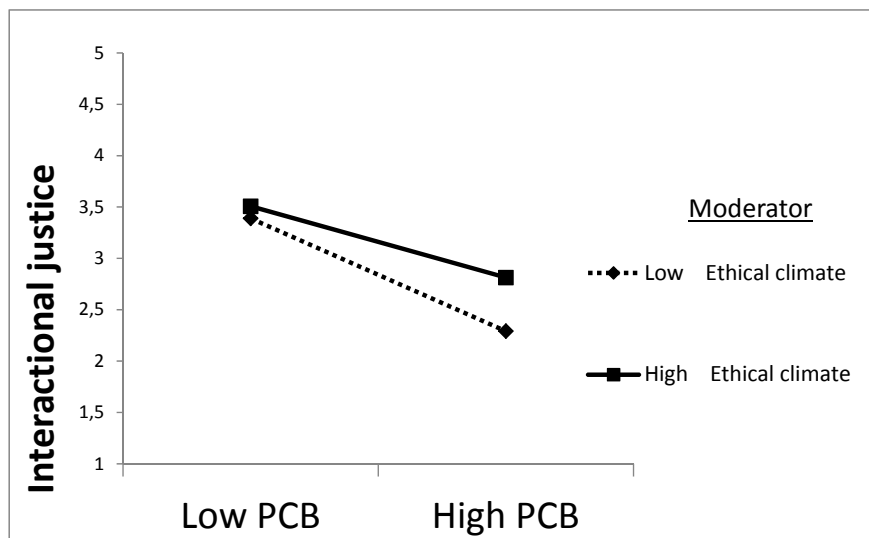
**Figure I. Interaction between psychological contract breach and perceived ethical climate on LMX**
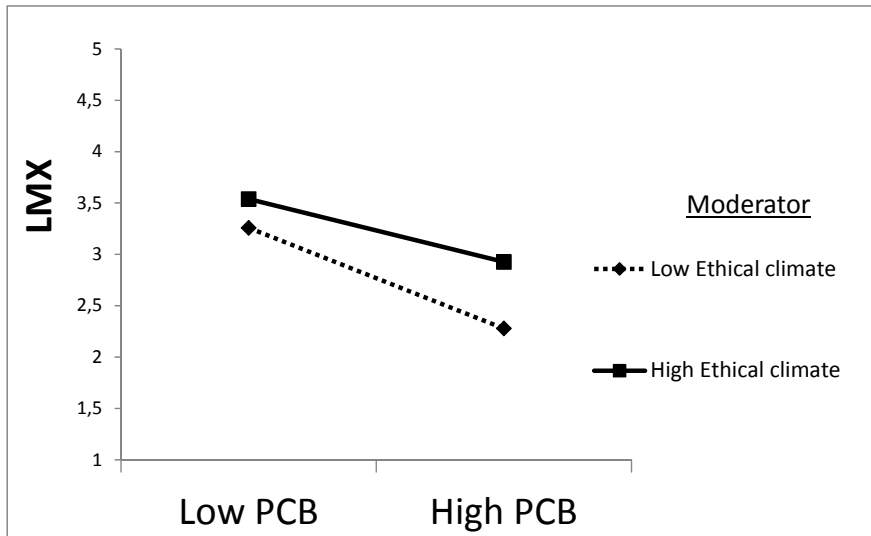


**Figure II. Interaction between psychological contract breach and perceived ethical climate on procedural justice**
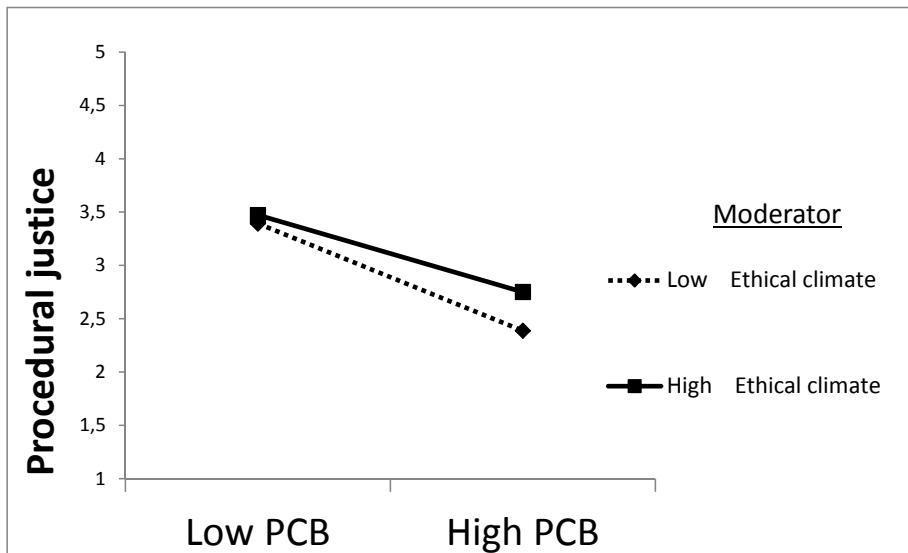
**Figure III. Interaction between psychological contract breach and perceived ethical climate on interactional justice**



II shows the moderating effect of PEC on the relationship between PCB and procedural justice ,and Figure III shows the moderating effect of PEC on the relationship between PCB and interactional justice. Among employees who reported low PEC, lower levels of procedural and interactional justice were found among participants who were high on PCB than among participants who were low on PCB.

## Discussion

*The relationship between PCB, LMX, and organisational justice*

In line with our first hypothesis, strong negative associations were found between PCB and LMX. This is not surprising because, as noted, the supervisor is usually the one who represents management and executes the organisational decisions concerning employees. In sum, PCB is related to exchange relations with the organisation, and LMX is related to exchange relations with the direct supervisor.

The negative associations between PCB and organisational justice support our second hypothesis and corroborate previous research findings (e.g., Restubog et al. 2009). In fact, some researchers have suggested that psychological contract breach represents a form of distributive injustice (Kickul et al. 2001). Interestingly, the associations found among our large sample of Romanian managers show that the two constructs, [PCB and organisational justice], are highly related

but not identical. This is in line with claims that while PCB is related to the organisation's treatment of a specific employee (me), organisational justice is related to the more general treatment of its employees. In addition, scholars (e.g., Blader/ Tyler 2005), noted that procedural justice is especially important in the context of fairness, while distributive justice is less relevant in this context. Consequently, in several studies (e.g., Rosen et al. 2009; Cohen 2013) examining employee's responses to PCB, only procedural justice was investigated. We found similar associations between PCB and the three types of organisational justice, and therefore conclude that in further research all three aspects of organisational justice should be studied.

### PEC as a moderator in the relationship between PCB, LMX, and organisational justice

Consistent with hypothesis 3, PEC moderated the association between PCB and LMX, not surprisingly since, as noted, both PCB and LMX are related to the social exchange perspective of the employment relationship, specifically regarding the supervisor who represents the organisation and determines the returns to subordinates (Wat/ Shaffer, 2005).

PEC was found to moderate the associations of PCB on procedural and interactional (but not distributive) justice. These findings support hypothesis 4. Our findings support and elaborate Wang and Hsieh (2014), who claim that PCB is related to the personal interests of the individual employee and is not identical to other fairness-related measures. Indeed, we found that in high PEC organisations, employees tend to differentiate between PCB and organisational justice aspects. PEC failed to moderate the associations between PCB and distributive justice, and this may support claims (Blader/Tyler, 2005) that distributive justice is less relevant in the context of fairness, compared to the other justice dimensions.

In sum, the moderating effect of PEC on procedural and interactional justice is highly important insofar as it has a mitigating effect on employees' harsh and harmful attitudes to PBC – and perceived injustice, in general – and on the subsequent deleterious effects on employees' work attitudes and performance.

## Limitations of the study and future research

Several limitations of this study should be noted. First, the study is cross-sectional in nature and relies on self-report measures, which precludes the establishment of definitive causal pathways. However, the large size (i.e., 716) and diverse composition of the respondents' base can mitigate this possible effect. Future research employing a longitudinal design is required before more decisive conclusions regarding causality can be derived. Future studies should also include other related variables that may moderate the association between PCB

and its outcomes such as the employee's performance level. Longitudinal studies should also examine changes in employees' responses to PCB over time. For example, it is possible that the negative relationships between PCB and LMX "build up" over time when employees discover that their supervisor does not intend to protect them against the PCBs that have occurred. It should also be noted that our sample was very heterogeneous; it may be interesting, therefore, to confirm our results by examining a more homogenous sample of workers such as newcomers or temporary workers. Lastly, the study was performed in Romania, which is a former communist Eastern European country. With regard to Hofstede's (2001) cultural dimensions, Romania is considered to have a collectivistic culture and is characterized by high power distance, high restraint, and low tolerance toward uncertainty. Our findings, therefore, cannot be easily generalized to other populations or cultures, such as the USA.

## Theoretical contributions and practical implications

The current study responded to calls to study how organisational context can affect employees' PCB and their subsequent attitudes and behaviours. In addition, previous researchers (e.g., Rosen et al. 2009) have suggested that fairness-related information might moderate the effects of psychological contract breach on employee reactions. However, there is scarce research that has examined theoretically grounded moderating variables to PCB. The current study attempts to fill this gap.

Our findings of the moderation effects of PEC – a significant and important organisational context – on the relationship between PCB and LMX, and PCB and organisational justice, support Koh and Boo's (2001) and Dulac et al.'s (2008) arguments concerning the buffering effects of organisational contexts, characterized as ethical and supportive, on employees' negative behavioural responses to their PCB. More specifically, the findings reinforce Martin and Cullen's (2006) claim that ethical climates influence employees' responses to ethical dilemmas. Thus, PEC may serve as a sense-making lens for employees' benign interpretation of the causes of PCB, a cognitive assessment that can result in less negative reactions to the breach.

Our findings also support integrating fairness concepts into the research model in order to study their effect on work behaviour and work attitude. As we intimated above, after Törnblom and Vermunt (1999:51), individuals consider fairness as a Gestalt, and therefore the components of fairness, "are meaningful only in relation to the overall fairness of the situation. Indeed, our participants' evaluations of organisational justice following PBC were moderated by PEC.

The current study also has important practical implications. We have observed that a growing body of research has shown that PCB is a common occurrence with serious individual and organisational implications (e.g., Robinson and Mor-

rison, 1995). Yet despite their apparent prevalence and costs, we have had little understanding of why these phenomena occur, largely because researchers have focused primarily on the *outcomes* of psychological contract breach (Robinson and Rousseau, 1994). This study makes an important contribution to the literature regarding the antecedents of PCB. It demonstrates the significance contribution of PEC as a moderating factor that potentially mitigates employees' negative reactions to PCB. From an applied perspective, we posit that managers should not expose their employees to PCB in the first place. From a global perspective, we extrapolate from the issue of PCB: We argue that high ethical and moral standards are extremely important in the workplace and that wherever possible these norms should be maintained.

We recognize that there might be circumstances, such as tough economic conditions, whereby PCB cannot be avoided. In such situations, organisations should make every effort to keep the fairness perceptions of the employee as intact as possible. Since relations with supervisors were also found to be related to PCB, supervisors should be instructed to keep close, positive relationships with the employee. By following these recommendations, harmful reactions to PCB will be kept to a minimum and PCB may then be likely perceived as an unfortunate and transient episode.

Finally, it seems to us that, beyond the humanitarian aspects pertaining to the benefits of a high ethical climate in the workplace, management should recall that workers' attitudes, behaviours and performance affect productivity. Negative productivity has consequences for the bottom line. Consequently, from an economic perspective, it surely behoves the decision makers to take heed of the ethical climate operating in their work environments.

We urge more research into the global effects of the ethical climate on the various aspects of social exchange in the workplace for the good of the workers and the ultimate success of organisations, especially regarding those concerns with a large degree of dependency on the people who comprise their workforce.

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