
(Un)Breach of Psychological Contract: New Research Agendas in Corporate Sustainability

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“At the end of the day you are all just liars [you never cared about sustainability]”, “All you care about is money, never social or environmental causes! It would be fine if you were at the very least, honest about it” These are excerpts of reviews from glassdoor, an online review website, where employees share about their experiences with employer corporations. These reviews indicate employees’ negative perceptions of their employers due to discrepancies between corporations’ promised and actual behavioral standards, suggesting a breach of employees’ psychological contracts. These type corporate behaviors are problems for today’s employers to recruit and retain employees because they directly conflict with the millennials’ expectations and values. Studies indicate that the millennials greatly value meaningful work and seek to make an impact, such as supporting sustainability, rather than just salaried positions (Jerome, Scales, Whithem, & Quain, 2014). Therefore, today’s employers must be ready to communicate and deliver sustainability, to avoid psychological contract breach (PCB) among employees.

Psychological contract is defined as employees’ beliefs about the terms of a reciprocal exchange agreement between themselves and their employers (Deery, Iverson, & Walsh, 2006). A PCB represents inconsistency between employers’ promises and actions, which undermines employees’ perceptions of their employer corporations’ integrity (*idem*), and can contribute to corporate hypocrisy (CH) among employees. A corporation is judged to be hypocritical when it behaves contradictory to stated assertions or pretends to conform with claimed standards (Goswami & Ha-Brookshire, 2016). In this light, corporations’ sustainability-related promises contradicted by their actual behaviors represent a PCB which can contribute to CH, and this hypocrisy can lead to negative attitudes among employees, decrease in sales, and even business failure (*idem*). Thus, the purpose of this paper is to call for corporations’ attention as how to reduce PCB regarding corporate sustainability and therefore manage CH among employees.

Some studies suggest using effective communication strategies, reducing uncertainties, and building trust to reduce PCB (Rayon & Yalabik, 2014). This paper recommends internal marketing, a management approach that considers employees as corporations’ internal customers who hold jobs to satisfy their needs and wants (Chang & Chang, 2007), in order to reduce PCB and therefore control CH. For internal marketing, scholars refer to five key elements, namely (a) training and education, (b) management support, (c) internal communication, (d) personnel management, and (e) employee involvement in external communication (*idem*).

First, training and education can help employees understand the corporation, their roles, membership, and inter-personnel relationships. This is important for employees to gain familiarity with the corporate culture (Chang & Chang, 2007), thus enhancing their beliefs towards corporate sustainability and commit to it. Second, leaders can demonstrate their dedication to internal customers, enact the promised standards, values, and policies, and provide a strong management support system (*idem*). If corporations truly want to show their commitment to sustainability, leaders must enact the promised standards and policies; otherwise PCB may occur. Third, according to Chang and Chang (2007), internal communication can inform employees about their tasks, corporate expectations, and communicate about employees' own values and expectations. Thus, to commit to sustainability and reduce employees' PCB, facilitating a culture of employee-employer interactions, dialogues, and discourses is important. Fourth, implementing a strong personnel management system, such as proper reward system, consistent policies, and opportunities for professional development, would motivate employees (Chang & Chang, 2007) towards sustainability, maintaining and honoring psychological contracts with employees. Finally, linking employees with external marketing can reduce any gaps between corporation's internal and external assertions. This is particularly important for implementing corporate sustainability, as it shows employees about corporations' commitment to sustainability and not using it as window-dressing or external marketing gimmick, thus reducing employees' PCB and CH. Yet, much of research in these relationships is lacking.

This study adds to the literature on corporate sustainability because it shows how corporations' lack of fulfilment of promises and contradictory sustainability behaviors may create PCB and potentially CH. This study also shows how internal marketing through five systematic stages could help corporations reduce PCB amongst employees. Therefore, the study calls for thorough and in-depth analyses of PCB and its impact on the future employees and employers' job negotiations as the society demands greater fulfillment of corporate sustainability.

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