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# Employee agency: challenges and opportunities for psychological contract theory

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## **Employee Agency: Challenges and Opportunities for Psychological Contract Theory**

### **Abstract**

Purpose: The purpose of this study is to examine what employee agency entails for psychological contract theory. We explore 1) how employee agency manifests itself, 2) how it is reflected in employees' perceptions of their psychological contract obligations, and 3) what it implies for psychological contract theory.

Methodology: The study draws on a qualitative interview study of employees from the mobile phone content production industry in Finland. Our analysis is based on 15 semi-structured employee interviews, which were supported by a discussion of the interviewees' weekly agendas.

Findings: This study reveals that employee agency manifests itself as self-actualization, action, influence and creativity, all of which have implications for employees' psychological contracts. Employees emerge as active parties to the psychological contract, consciously modifying and constructing it instead of simply reacting to employer behaviour, as is assumed in current research.

Originality/value of paper: This study contributes to psychological contract theory by providing one of the few empirical attempts to demonstrate how employees actively manage the exchange relationship captured by the psychological contract. It highlights the importance of acknowledging employee agency in future psychological contract research.

Classification: Research paper

**Key Words:** employee agency, psychological contract, employment relationship, mobile content industry

## **Introduction**

Researchers commonly agree that the concept of psychological contract has the potential to advance understanding of how increasingly individualized employment relationships function in contemporary work life (Sparrow, 2000; Guest, 2004). At the same time, the main focus of empirical psychological contract research has remained on large-scale survey studies of employer psychological contract breaches from the employee perspective (Coyle-Shapiro and Conway, 2004). Very little is known about the employees' role in influencing the psychological contract and its content in everyday work and about employees' perceptions of their psychological contract obligations. This is particularly surprising in contexts where employees are likely to negotiate personalized, idiosyncratic deals and where they have a high degree of autonomy in modifying and defining their own work (Wrzesniewsky and Dutton, 2001; Rousseau, 2005).

We argue that by viewing employee attitudes and behaviours as dependent variables that are causally influenced by employer actions, most psychological contract studies fail to live up to their promise of capturing individual circumstances and preferences. As employer-employee relations are becoming more blurred, or even reversed, and work is increasingly a site for self-actualization and life politics (Alvesson, 2000; Giddens, 1991; Miles and Snow, 1996; Rousseau, 2005), psychological contract researchers have to consider the employee as an active party to the contract and the employment relationship. Consequently, psychological contract theory has to acknowledge employee agency in the construction and management of the psychological contract. By recognizing agency, psychological contract research can start to disentangle the complex realities of contemporary employment relationships, in

which the exchanges captured by the concept may be far more complex than current research suggests.

The aim of the study reported here is to examine the possible implications of the notion of employee agency for psychological contract theory. Specifically, we seek to investigate 1) how employee agency manifests itself, 2) how it reflects on employees' understanding of their own psychological contract obligations in the employment relationship, and 3) what it implies for psychological contract theory. The study draws on a qualitative interview study of employees of a new emerging industry in Finland, that of mobile phone content production, which as a field of activity provides an interesting setting for exploring the research questions. Due to its newness as an operational field, the non-traditional nature of the business, and the creative workforce, mobile phone content production is a context that is likely to promote flexible and experimental work arrangements, potentially leaving more space for the exercise of agency (Huhtala 2004, 83).

To begin with, we discuss what we understand by the concept of agency. This is followed by a short review of the psychological contract theory and recent issues that have dominated its development. We draw attention to the lack of information on employee agency in the existing literature. After providing an overview of the research procedure, we examine the ways in which employee agency materializes in the context of this study. We analyse how agency manifests itself and explore its relation to the psychological contract. After reviewing the results, we discuss the challenges introduced by the agency perspective and the opportunities it entails for psychological contract theory.

## *Agency*

The problem of human agency has persisted in organizational analysis (Reed, 1988). It has held the promise of a core concept that would help to identify the mediating process between social constraint and individual choice (Reed 1988). Researchers have however not yet managed to reach a consensus regarding the definition of agency.

According to Anthony Giddens, in pre-modern times the idea that "each person has a unique character and special potentialities that may or may not be fulfilled" was alien (1991, 74–75). In Medieval Europe, attributes relevant to identity, such as lineage and social status, were all relatively fixed. Naturally, transitions needed to be made in the course of different life stages, but these were mainly governed by institutionalized processes in which the role of the individual was rather passive (Giddens, 1991).

Contrarily, the modern conception of the individual, is essentially linked to freedom and responsibility. David Knights and Hugh Willmott suggest that "the modernist view of the individual presumes a close association with the concepts of freedom and responsibility because, for our self-consciousness, the source of creative self and social development is attributed to [reflexive] freedom" (1999, 53-58, 84). The understanding of human beings as free and autonomous agents has some profound implications, which can be explained through responsibility. According to Knights and Willmott, responsibility carries a twofold meaning: on the one hand, we bear responsibility for our own identity and behaviour; on the other, we are responsible for others. Therefore, individual agency is examined here through responsibility and freedom in terms of employees' perceptions of their psychological contract obligations.

Actual agency implies action (Giddens, 1991, Patton, 1998) and is therefore examined as a materialization of action. In the context of organizations, this

can be interpreted as organizational action. However, it is not only about visible external action, but action in terms of *acting on the self* (Foucault, 1997). In contemporary organizations, acting on the self often translates as excelling and constant learning (Townley, 1998). It is therefore an *experience* towards which employees aim, which acts as the motivator for acting on the self (Rose, 1999). Thus, subjective experiences direct work on the self (Huhtala, 2004). However, in absence of freedom to act or options to act upon, agency is minimized (O'Leary, 2002). Bergström and Knights suggest (2006, 351) that attempts to analyze organizational discourses' impact on subjectivity must consider "the possibility that subjects actively take part in their own self-construction and that this construction is produced in social interaction".

Janette Webb (2004, 722) compares the reflexive self (Giddens, 1991) and the corroded self (Sennett, 1998) finding that "both recognize that current socio-economic relations place the emphasis on an individualized sense of responsibility for personal achievements, which in turn encourages a risk-taking and calculative orientation to life". However, the two authors, Giddens and Sennett, offer rather contrasting perspectives to selfhood: Giddens sees the contemporary organizations as providing a greater degree of choice about self-identity and as enhancing agency and reflexivity, while Sennett views the new economy as corrosive of character and social relations (Webb, 2004, 722). Mike O'Donnell analyses some assumptions about subject agency in Giddens' liberalism and Foucault's post-structuralism and argues that these two approaches are more complementary than is often understood (2003).

For the purposes of this study, human agency is broadly defined as the capacity of an agent to act in a world. Agency is the capacity of human beings to make choices and to impose these choices on the world. Though agency is often discussed in collective terms as a means to impose collectively-made choices on the world, in this paper we

focus on individual agency in an organizational context. Specifically, we draw on William Sewell's (1992) conception of agency, where agency is not seen as opposed to structure but as constituent of structure. According to Sewell (1992, 20), "to be an agent means to be capable of exerting some degree of control over the social relations in which one is enmeshed, which in turn implies the ability to transform those social relations to some degree". Sewell considers as agents those empowered by structures to act with and against others; according to him, agency arises "from the actor's knowledge of the schemas, which means the ability to apply them to new contexts (ibid, 20)". He argues that humans are born with a highly generalized capacity for agency, which he understands as the capacity for desiring, for acting creatively, and for forming intentions. However, although the capacity for agency is inherent in everyone, the specific forms taken by agency vary extensively and are historically and culturally determined. In other words, *how* people exercise agency is subject to great variation (Sewell 1992, 20). As Chris Shilling (1997, 737) succinctly points out, recognizing the importance of "human agency as socially shaped form of embodiment" in future reconceptualizations of the structure/agency divide is essential. However, this needs to be done in a way that does not render the embodied actor a "mere product of society".

### ***Psychological Contract Research – Missing Employee Agency***

Although the concept of psychological contract was coined in the 1960s (Argyris, 1960), it was not until the acclaimed changes in employment relationships in the early 1990s that interest in the notion of psychological contract began to increase. Following Rousseau's seminal work (1989), most researchers conceptualize psychological contract as an employee's subjective perception of his or her obligations towards the employer and of the obligations of the employer towards the employee (see also Rousseau 1995).

Drawing on social exchange theory and the norm of reciprocity (Blau, 1964; Gouldner, 1960), the employment relationship is thus captured as a set of perceived obligations that, when fulfilled, represent acts of reciprocation and influence the subsequent behaviour (i.e. reciprocation) of the exchange partner.

Though the works of Argyris (1960) and Levinson et al. (1962), which laid the foundation for psychological contract theory, stemmed from a qualitative paradigm, contemporary research has been largely survey driven. Apart from a few exceptions (e.g. Hallier and James 1997; Herriot, Manning and Kidd, 1997; Searle and Ball, 2004), the main focus of psychological contract research has been on the quantitative demonstration of how employees' perceptions of employer breaches of obligations lead to adjustments in employee attitudes and behaviours. For example, recent studies have demonstrated that psychological contract breach is negatively associated with job satisfaction (Tekleab et al., 2005), affective commitment (Coyle-Shapiro and Kessler, 2000), organizational citizenship behaviour (Johnson and O'Leary-Kelly, 2003), and in-role performance (Turnley and Feldman, 2000; Johnson and O'Leary Kelly, 2003) and positively related to turnover intentions (Lo and Aryee, 2003; Carbery, Garavan, O'Brien. and McDonnell, 2003; Lemire and Rouillard, 2005).

Although psychological contract research has advanced the understanding of several important facets of personnel psychology, it provides a very limited view of employees' *subjective* perceptions of their psychological contracts and in particular of how employees influence its content. A notable exception is the study of Herriot et al (1997). In response to the predominant survey research and its a priori defined content of the psychological contract, the authors interviewed both 184 employees and 184 organizational representatives using critical incident technique in order to elicit the subjective content of psychological contract among the UK labour force. Other

exceptions include studies that have examined the impact of personality-related factors on psychological contract perceptions. For example, Bunderson's (2001) study demonstrated that professional and administrative ideologies reflecting employees' values influence the nature of psychological contracts held by the employees. Raja, Johns and Ntalianis (2004) in turn found that different personality traits affected psychological contract perceptions. Employees who scored high on conscientiousness and self-confidence were more likely to have relational psychological contracts. Another limited set of studies has examined the effect of contextual factors (e.g. industry, type of work) on psychological contracts. Flood, Turner, Ramamoorthy and Pearson (2001) found that workers in a high-tech company perceived a strong obligation to contribute (e.g. be innovative and perform), whereas the experienced requirement to confirm (e.g. commitment to organization and intention to stay) was weak. Boswell, Wendy, Moynihan, Roehling and Cavanaugh (2001) show that business students perceived themselves as obligated to promote their own career development as opposed to perceiving it as the responsibility of their employer. King and Bu's study (2005), in turn, discovered that the new generation of IT professionals in China and the US perceived that they had obligations such as working overtime when necessary, volunteering for non-required tasks, and displaying loyalty to the employer. The results of a longitudinal case study by Martin, Staines and Pate (1998) suggest that the increased value the employees had begun to place on training was associated with job insecurity and attempts to improve their own employability.

In attempting to capture employees' perspectives of their own contract obligations, most studies rely on a questionnaire design to determine the scope or the content of the psychological contract (or some isolated obligations). However, apart from the few exceptions mentioned above, we know very little about how employees

influence the psychological contract in their daily work. At the same time, the need to understand the employee's role in the process of psychological contracting appears timely. Rousseau (2005) has recently drawn attention to the increase in idiosyncratic deals and their implications for employment relationships and the psychological contract. She argues that employees who recognize their power negotiate personalized agreements regarding their work and employment relationship. Sometimes this occurs in the form of job crafting, a process through which employees modify and enhance their work roles and duties by adding elements that they personally enjoy or find meaningful (Wrzesniewsky and Dutton, 2001). These modifications, however, do not imply that employees would avoid fulfilling their normal obligations or attempt to escape from some of their duties. Rather, job crafting is typically about extending one's role in the organization to match the requirements or the evolving nature of the work. As the employee-initiated changes in the employment deal are often mutually beneficial, employers are generally not apprehensive about their implications for the organization and thus tend to consent easily to the proposed agreement (Rousseau, 2005).

In our view, this suggests that employees exert agency by further constructing their psychological contract, by defining their obligations, exercising choice, and imposing those choices on their word – rather than by simply reciprocating by reacting to their employers' perceived exchange behaviour. Employees exercise power and they have freedom to influence their work and surroundings, yet this is done without breaching the responsibility toward the employer. The issue of exploring employees' agency in the creation of a workable psychological contract is of a particular concern if the psychological contract theory aspires to provide a comprehensive framework for analysing and exploring individualized employment relationships and the consequent management challenges. Accordingly, in the empirical study that follows we examine

how employees' agency is manifested in a context that sets few limitations to its exercise and what the agency perspective implies for psychological contracts.

## **Method**

### ***The context of the study***

This study is based on data collected as part of a larger study on organizational control in the mobile phone content producing industry in Finland (Huhtala, 2004). In Finland, telecom operators developed the first products and services for mobile phones in the 1990s, and initiated the field that developed into a specific mobile content industry in the mid 1990s, bringing together people with both IT and new media know-how. The industry experienced a period of rapid growth ending in the burst of the telecom bubble in 2000 (Aula and Oksanen, 2000). In the aftermath, the number of companies in the industry declined radically. However, the industry is now peaking again with the popularity of third generation mobile phones. At the time of the research project (2002–2003), all the companies in the industry were small or medium-sized and employed between 10 and 200 employees. The industry in itself is also rather small. These circumstances are likely to have an impact on the structures and organizations of the companies. The companies are organized around projects and typically encompass no functional departments; instead, they consist of project teams involving people with various types of expertise, typically sales and marketing specialist/s, technology specialist/s and coders, a client contact person and, depending on the project, and other staff such as graphic artists or musicians. Thus, all of the companies are project-based organizations. However, the companies selected for the study are not start-ups or short-lived enterprises, but have been in operation on average since 1996–1998. They describe themselves as entering the early maturity stage. Interviews were conducted in

five of these companies. The companies were selected by interviewing experts from the industry working in the telecom operators. As an industry, mobile content production has a short history and is still in the process of developing its conventions and practices, which means that there is probably more space for freedom to act and to structure things differently (Huhtala, 2004b).

### **Data Collection: Interviews**

This article is based on data drawn from 15 semi-structured interviews that were conducted with employees representing three different professional groups: 1) sales and marketing, 2) technology, and 3) graphic artists and musicians. The employees interviewed were on permanent contracts, aged between 20 and 40, and had a degree from an institution of higher education, as is typical in the industry. The aim of the interviews, which lasted approximately ninety minutes each, was to establish how the employees experienced their work and employment relationship. All the interviews were held in a quiet room on company premises during office hours, and the interviewees were assured anonymity and confidentiality. The main topics covered included the experience and organization of work. Specific questions were asked about motivation, commitment, opportunities to exert influence in the workplace, innovative behaviour, and management and decision-making practices. Participants were also asked to bring their agendas to the interviews to facilitate discussion about the previous working weeks and also to enable us to take notes on issues such as the frequency of meetings with colleagues, clients, subordinates and superiors, working hours, and the type of work undertaken.

The interviews were taped and then transcribed. Thematic analysis was conducted with *Atlas/ti*, a tool for qualitative data analysis management and model-building. The focus was primarily on establishing common themes in the data, which was achieved through the numerical frequency of different themes. A total of 62 codes were used in the analysis containing the complete texts of 15 interview transcripts. The codes appearing the most frequently (by numerical frequency) in relation to agency in the material are listed in Table I in the results section below. The interpretation of the results was aided by content analyses of the company websites and internal company papers on HRM practices (e.g. outlines for development talks) as well as by observations made during the company visits. For the purposes of this article, we have focused on the analysis of agency and used the concept of psychological contract as a theoretical lens.

## **Results**

### ***Manifestation of employee agency and implications for psychological contracts***

Our analysis suggests that worker agency occurs on four levels in these types of contemporary organizations. These four levels are 1) self-actualization, 2) agency on the operative level of everyday action, 3) agency as influence on others and organization-wide practices, and 4) agency as an ability act creatively. In the following, we will discuss each of these four levels with reference to psychological contract.

**take in table I (p. 32)**

### ***Self-actualization and psychological contract***

First, agency materializes on a level of *self-actualization*. This is supported by the findings that employees are conscious of the implications of work on self-identity and

the quality of their lives, constantly seek development opportunities and alternatives beyond their current jobs, and, above all, are conscious of their own power in the employment relationship. They have a high degree of autonomy and frequently repeat that they are given and also actively seize opportunities to express themselves. Furthermore, they aim to constantly exceed their own limits and develop their proficiency. Employees are aware that they are able to continuously draft and redraft their psychological contracts and stretch their limits to suit their own purposes.

I experience my work as very autonomous – highly so. This is because I can really make decisions and I am given opportunities. But it is also because, for example, my job description is not defined in a lot of detail. So, the creating and constructing are self-initiated and self-directed. (Interview 8, company 3, quotation 36)

As agency is about acting on the self, the perceived obligation to constantly develop oneself is about responsibility to oneself. Wrzesniewsky and Dutton (2001) argue that employees are motivated to modify their jobs in order to create and sustain a positive sense of self. Alvesson (2000) in turn notes that employees in avant-garde industries may be committed to their own life projects that are tied to work at the expense of loyalty to a particular employer. Sometimes employees *need* to see alternatives in order to avoid feelings of being trapped or stuck at a professional standstill. Many employees expressed a lack of long-term commitment to the organization. Alternative employment and open options offer possible escape routes from the feared spectre of dull and routine work. Constant learning is associated with having options; being on the cutting edge makes it possible to take part in interesting projects. These findings are consistent with the conclusions drawn by Flood et al. (2001), who suggest that employees are motivated to develop their know-how, but when offered an interesting opportunity elsewhere, they may easily take their tacit knowledge and leave.

Who knows what will happen during the next year? In this industry, the most important thing is to develop yourself and keep in touch with contacts regardless of where you are. You cannot depend too much on the company – that's if you're logical and think rationally. (Interview 5, company 2, quotation 61)

These findings regarding self-actualization also support the results of Smithson and Lewis (2000), according to whom younger employees no longer expect job security. Smithson and Lewis examined young adults' perspectives and experiences of job security by a series of interviews and focus groups. They located some evidence to support the view that younger workers' expectations of employers were changing and that job insecurity and lack of "jobs-for-life" were not perceived as a contract violation as has been found in the case of older workers (Herriot et al 1997). Rather, young adults' psychological contracts reflect the changing realities of the current labour markets. However, in contrast to their findings our data suggest that job security is not even desired. Rather, job security may even be seen as a factor hindering self-actualization, and "ad-hoc career development".

In my life I generally don't like to plan too many things: I do not have any real career plans. It might well be that next autumn I am in the Caribbean . . . It is more the completeness of life, I am not so work or career-oriented that I would do anything to get ahead. It is more that I enjoy what I do on a daily basis and for this reason want to develop myself further in that, and then in three years time I might end up being somewhere [completely different]. (Interview 8, company 3, quotation 66)

To some extent, self-actualization and responsibility for one's identity suggest a psychological contract with the self. Employees consider their options, question their choices and make promises to themselves regarding their work and career development. Breaking such promises may require negotiation with oneself rather than with the employer, as well as consideration of what it implies for oneself and one's life at large.

***Agency, everyday action, and psychological contract***

Secondly, our study suggests that *agency is manifested on an everyday, operative level*. Employees describe themselves as self-managed and also see their colleagues this way. This we take to mean that employees are able to influence and decide upon their own everyday working realities, to the relative neglect of managers and owners.

I can impact on my work one hundred percent. (Interview 3, company 1, quotation 56)

I have got used to doing this job pretty independently; in some matters I am my own boss. It is a little unusual I suppose that in some matters I am responsible to someone and in others only to myself. (Interview 4, company 2, quotation 62)

As Rousseau (2005) argues, employees do not necessarily need to explicitly negotiate their employment arrangements with their employers. Rather, they set the terms, which are redrafted again and again in everyday practice (Wrzesniewsky and Dutton, 2001). For example, our results suggest that employees largely define their own job content: they have the opportunity to vary the tasks and choose the projects they work on. Similarly, although at times deadlines may be defined by the clients or project teams, employees largely define the schedules and targets for their work. Consequently, psychological contract evolves in everyday practice and obligations are fine-tuned depending on the requirements of the day. It is noteworthy that contract changes, regardless of whether they are major or minor, are mainly employee-driven.

Here we have quite a lot of opportunity [to influence our work]... if you're not enjoying one job, and want to try something new, that opportunity is given to you. (Interview 4, company 2, quotation 60)

I see my work as highly autonomous. This is because I get to make decisions by myself and I am given a lot of opportunities. It is also due to my job description not being rigidly defined. Therefore, the structure of the work is largely self-directed. (Interview 8, company 3, quotation 36)

The interviewees also repeatedly stated that their work is autonomous and that they make many *decisions*, suggesting that their work often *requires* agency. This has interesting implications for psychological contract research. It appears that employees in fact perceive the "exerting of agency" as a key contractual obligation in the employee-employer relationship. In other words, employees took agency somewhat for granted and perceived it as an obligation that their employers expect them to fulfil.

When you have a project, no one is monitoring what you do. It is very autonomous; you do everything to the end. From the very beginning here I have experienced that you cannot expect someone to come and stroke your head, and you do not ask: "What do I do now?"... Most of the time you have to work independently. (Interview 5, company 2, quotation 37)

The lack of surveillance is associated with autonomous work in that there is 'no one holding your hand', or simply that there is 'no one telling you what to do'. Employees are often responsible for monitoring their own working hours and holidays, frequently in the absence of official monitoring systems. Sometimes they also feel the need to ensure that some HRM techniques, such as annual staff appraisals, are implemented. With freedom comes responsibility: the exercise of freedom is accompanied by an obligation to *self-monitor* and to *self-discipline*. These obligations set limits for freedom and imply acceptance of control in the name of autonomy. As Robertson and Swan (2003) note, autonomy in contexts such as the one described in this study may hence be imposed and limited. However, as explained earlier, while an essential element in agency is freedom, it also implies responsibility towards oneself and others. Hence, in our view the employees in this study have more than limited autonomy or autonomy in disguise.

I can make decisions very autonomously. Working hours are also very flexible. I can pretty much decide for myself what I do and when I do it. Of course you have to take into account that clients have certain requirements, as do the projects. But no one will come in and tell me

this is what you need to do and this is the order in which you should do it. (Interview 4, company 2, quotation 42)

Consequently, while agency manifested in action is a central part of the psychological contract, it is about responsible action in terms of complying with the daily evolving obligations. To a great extent, employers expect this from the employees and the employees are aware of this expectation. Employees also expect responsible action in their lateral relations with their colleagues and clients and they know that it is also expected of them. This implies reliance on reciprocity on a more general and indirect level – not only in terms of the specified and stable obligations of the employee-employer exchange but in the evolving exchange processes of a number of both vertical and lateral exchange relationships. For example, employees can expect their employer to reciprocate the obligations that the employees fulfil toward their clients, even though the employer as such may not have been involved in any way in the setting and specifying of these obligations.

You have to take the responsibility for doing the things that have been agreed and doing them when agreed, so that you do not complicate other people's work. If the client is not satisfied, you are out of work pretty fast. (Interview 4, company 5, quotation 36)

### ***Employee influence and the psychological contract***

Thirdly, agency materializes on the *level of influence; as an ability to influence others and common practice*. We suggest this because employees exert considerable influence on their colleagues and their superiors in their daily work. The influence is above all reciprocal and occurs through co-operation, negotiation and group work, through communicating and acting laterally. Consistent with Alvesson's (2000) findings, the dichotomy and dependencies between subordinates and managers are questionable, and employees do not typically identify with subordinate positions. Employees are involved in matters relating to organization-wide practices; they can

bring up ideas and participate in discussing organization-wide matters. This occurs mainly informally and in lateral relationships. The results suggest, however, that employees think that they *use* a limited amount of agency to influence organization-wide matters. Most often this is due to an expressed *lack of interest and time*; their own proficiency, personal learning, and particular projects at hand outrank organization-wide practices as targets of development interesting to employees. Employees' sense of obligation towards themselves thus appears stronger than their sense of obligation towards their employing organization.

I have a sufficient level of say in decisions regarding my work, because the decisions that I can't influence are the ones that I do not have the expertise for or nothing to say about in any case. (Interview 10, company 4, quotation 52)

I have a lot of influence on my job. I can impact the tasks, the working times, and things like that. And again, if there are any suggestions or hopes regarding organizational practices, they are always heard. (Interview 6, company 2, quotation 55)

Employees may, however, influence organizational practices more than they realize by participating in constant negotiation, which emerged as a key organizing practice in this study. Therefore, the influence is often indirect, and occurs continuously via negotiation and lateral co-operation usually in horizontal relationships. This suggests that psychological contracts and the obligations they imply may form between equals rather than between managers and subordinates as typically assumed in psychological contract research (Lewis and Taylor, 2001; Tekleab and Taylor, 2003).

I am responsible for matters relating to my own area of expertise. In groups we can influence, for example, the division of resources, and timetables emerge by themselves. We discuss quite a bit in groups and think what is the best way to go about things . . . Decisions take shape in two ways: someone may come in with an idea that we then start to consider, or an idea can be formed spontaneously. People are very open. There is more negotiation and discussion. (Interview 4, company 2, quotation 65)

Constant lateral negotiation and group work also lend support to the idea of multiple psychological contracts put forward by Marks (2001), but broadens its scope beyond hierarchical exchanges between employees and employer agents. Rather, the constant negotiation in networks of employees, employer representatives, and clients implies that the exchange relationships in contemporary organizations are not only increasingly horizontal but also multifaceted and complex.

### ***Employee creativity and the psychological contract***

Fourthly, agency is revealed on the level of enjoyment which culminates in the practice of self-expression and pleasure through *creativity*. Employees talk about themselves and others as creative personalities and see innovativeness as an essential part of their work.

I feel that I would not have a place to work here if I could not be in my own way an innovator and think things through further. This is after all still such a small organization. If you think that here everyone has a slightly different area, or several ideas, of what is meant by expertise, then you understand that everyone has to be an innovator in his own area. (Interview 4, company 2, quotation 73)

They [innovations] are very much everyday things, things that have come about by accident. You can never tell. It might not have seemed like such a good idea in the beginning, but then afterwards, when you think about it, it can start to seem like a pretty good idea. There don't have to be any absolute moments of revelation, just ideas that you come across in everyday work. (ibid, quotation 74)

However, it is not just innovation that might imply agency of some form, but normal everyday work is viewed as enjoyable and yielding pleasure because it allows employees to put their creativity to use. According to the interviewees, this is enabled largely because everyday practices are not bureaucratic, or in other words structured, planned, formal, or overly serious.

It is precisely this lack of hierarchy. In this way work can be interesting and fun instead of an unpleasant compulsion. (Interview 7, company 3, quotation 22)

I [enjoy working in this organization], because it is not distressing, bureaucratic, or terribly hierarchical. It is flat . . . things do not pass through two sets of hands. (Interview 6, company 2, quotation 6)

Humour, laughter, fun, and enjoyment are a part of normal, everyday work. The majority of employees enjoyed their work most of the time. It was not just the work ambiance that that appealed to them, but also the way of working and the content of their work. Having a laugh and assuming a constructive attitude to work are not among the characteristics of previous worker subjectivities (Rose, 1999) and therefore could be seen as a means of escape from these. Consequently, as previously discussed, employee psychological contract obligations may be intertwined and associated with obligations towards oneself. The pleasure derived from work is hence an equally (and sometimes even more) important motivating force than rewards or recognition received in exchange for one's contribution. Moreover, as having fun is essentially a socially shared experience, the lateral networks in which everyday work is carried out (rather than organizational hierarchies or employer agents) enable an exercise of agency that culminates in having an enjoyable time and being able to use one's creative potential.

I just realized how you tend to take certain things for granted, like for example the fact that work does not cause any problems . . . work is an absolutely positive thing . . . I think it is for the majority of people [here], since the work is diverse, you need to use your own initiative and your own brain, and, of course, you don't have the boss constantly breathing on your neck. (Interview 11, company 4, quotation 68)

The work atmosphere is friendly, because the people are congenial. There is a certain kind of sociability. People have common interests and hobbies after working hours . . . Playing games is an interest that many share; we talk and play also during lunch breaks. (Interview 6, company 2, quotation 17)

I think that the majority of the people enjoy themselves here; after all, very few have left the company . . . I believe that the majority of the people [here] experience their work as a positive thing. Of course everyone goes through periods when nothing seems interesting, but that's just normal. (Interview 4, company 2, quotation 55)

In conclusion, in this study we discovered agency that manifests itself as self-actualization, action, influence, and ability to use one's creativity. The psychological contracts that emerge are essentially tied to the employees' exercise of agency across the organization both horizontally and vertically..

### **Employee Agency – Challenges and Opportunities for the Psychological Contract Theory**

In this article, we have begun to question the extent to which psychological contract research in its current form is able to capture the employment relationship as experienced by employees. We have done this by demonstrating that employees in our study have agency, and how the agency materializes in everyday organizational practice. Although the recognition of agency and its implications challenge the rather mechanistic idea of measuring employee attitudes and behaviours as reactions to incentives provided by the entity known as the employer, it also opens up new opportunities for psychological contract theory.

Acknowledging employee agency and its central role in organizing puts to question the neat division of traditional employer and employee obligations maintained in psychological contract research. Perhaps the contemporary psychological contract is one in which the main employer obligation is to allow agency in exchange for responsible, self-managed employees, who aim for self-actualization and wish to use their creativity. In this study, many of *the traditional managerial obligations that are typically seen as employer psychological contract obligations were in fact employee*

*obligations*, thus challenging conventional thinking on employment relationships, traditional dependencies, and managerial functions. Employees appear to construct their work through carefully mastered psychological contracts that allow them the freedom to act on the self within the limits of certain responsibilities towards the organization. In the context of our study, employer obligations appear very different from what contemporary research assumes. Rather than providing job security, certain benefits and salary, interesting work that allows employees to develop themselves and put their creativity to use is in the core of the appeal of workplaces. Increasingly, employers are becoming focal points that bring together employees with similar interests and attract interesting clients. Consequently, employees exercise control and impose changes on their psychological contracts and exchange relationships to a great extent.

Contemporary psychological contracts are not straightforward. Abandoning the classical model of social exchange between two parties, we will also have to think about *psychological contracts with the self, and with colleagues and clients*. As our study demonstrates, employees are not only assuming some of the traditional managerial *and* employee responsibilities, but when work is about acting on one's own agency, being loyal to one's own life-project may override loyalties to the employer. As Miles and Snow (1996) point out, in contemporary organizations employers are not using their employees, but employees are using their employers. The employees in our study are not only employed by an employer, but they are acting as their own self through their work. Work is therefore not only about employee-employer exchange, but about responsibility and promises made to oneself.

Having agency does not mean that employees can do what they want; it is agency within limits. One of the limiting mechanisms is the increased lateral co-operation in teams that entails more subtle forms of control, such as mutual checking

(Huhtala, 2004), as well as requirements set by clients. This may imply psychological contracting horizontally, beyond the employee-employer exchange. Furthermore, employees do not look up to management. On the contrary, they are simultaneously self-managed and managed by their colleagues and clients, while themselves functioning as active managers of their colleagues. This highlights the narrowness of the current debate among psychological contract researchers on employer representation and the importance of expanding our research into *multiple* psychological contracts (Marks, 2001). However, these contracts are not only vertical, between employees and employer representatives, but *horizontal*, between employees, colleagues and customers, and other stakeholders involved. The assumption of a dyadic exchange between an employee and employer as detached from other exchanges thus appears somewhat naive in the light of our research. Productive exchange structures, which capture exchanges as person-to-group, or generalized exchange structures within which individuals provide unilateral benefits for some group members while receiving them from others (Lawler, 2001) could provide interesting avenues for psychological contract theory to expand the scope of social exchanges beyond that of a dyad.

In this paper we have explored employee agency in the context of the Finnish mobile content industry, and demonstrated the challenges and opportunities that employee agency poses for psychological contract research. At the same time, we must acknowledge that this study concerns professional employees in small and medium-sized companies in a particular industry in a particular country. Yet, it is thought-provoking to deliberate – beyond statistical generalizations – on whether the actuality of agency as found in this study is, or ever will, become reality for a larger number of professional employees in the coming decades.

We encourage psychological contract theory to recognize employee agency and its implications for research. Employees participate actively in shaping their psychological contracts and thereby their employment relationship as well as the organization on the whole. Consequently, the psychological contract is central in managing the employment relationship. However, we will have to look at employee-driven, multiple, horizontal, and connected psychological contracts, in which the obligations continuously evolve as a result of employee influence. Having agency is also largely concerned with a person's psychological contract with him/herself. In our view, these are issues that psychological contract theory and research must embrace if it is to capture the subjective employment experiences of contemporary workers.

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Table I: The most common codes (by numerical frequency) that emerged in the analysis in relation to agency

<p>Agency</p> <p>1. Self-actualization:</p> <ul style="list-style-type: none"> <li>-Commitment to oneself and to opportunities for excelling oneself: 57 quotations in all 15 interviews.</li> <li>-Conscious questioning of one's possibilities and seeing alternatives to one's current job: 31 quotations in all 15 interviews.</li> <li>-Self-empowerment: 28 quotations in all 15 interviews.</li> </ul> <p>2. Agency on the operative level of everyday action:</p> <ul style="list-style-type: none"> <li>-Everyday way of working in the organization: 59 quotations in all 15 interviews.</li> <li>-Job content: the total of 65 quotations in all 15 interviews.</li> <li>-Self-management: 45 quotations in all 15 interviews.</li> <li>-Working hours: 45 quotations in all 15 interviews.</li> <li>-Lack of management/boss: 14 quotations in 13 interviews.</li> </ul> <p>3. Agency as influence on others and organization-wide practices:</p> <ul style="list-style-type: none"> <li>-Influence on others: 17 quotations in all 15 interviews.</li> <li>-Influence on organization-wide matters: 15 quotations in all 15 interviews.</li> <li>-Decision-making practices and negotiation: 39 quotations in 14 interviews.</li> </ul> <p>4. Creativity:</p> <ul style="list-style-type: none"> <li>- Innovation: 51 quotations in all 15 interviews.</li> <li>- Enjoyment: 39 quotations in all 15 interviews.</li> <li>- Work-related hobbies: 16 quotations in all 15 interviews.</li> </ul>
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