



Truist
Leadership
Institute



Psychological Contracts

The key to creating
organizational agility

Truist Purple Paper®

Executive Summary

Employees have beliefs about what their organizations have promised them in exchange for their good work. These beliefs form from interactions during recruitment, onboarding, promotion discussion, performance reviews, team projects, and development activities. They become psychological contracts.

Why do psychological contracts matter to leaders? Because the manager's relationship and communication impact whether employees believe specific promises have been made, contracts exist or not, and whether contracts have been breached or fulfilled.

These beliefs, in turn, impact results. When employees believe that psychological contracts have been fulfilled, their job satisfaction, employee engagement, brand loyalty, and organizational agility are much higher than when they perceive the organization has breached its promises. When psychological contracts have been fulfilled, employees are better able to adapt to disruptive events.



A photograph of a modern building's interior, featuring a large glass facade and a staircase. The scene is illuminated with warm, golden light, creating a dramatic atmosphere. Several people are visible, some in motion, suggesting a busy, open environment. The text "Introduction and Research Approach" is overlaid in white, centered on the image.

Introduction and Research Approach

Accelerating change creates uncertainty.

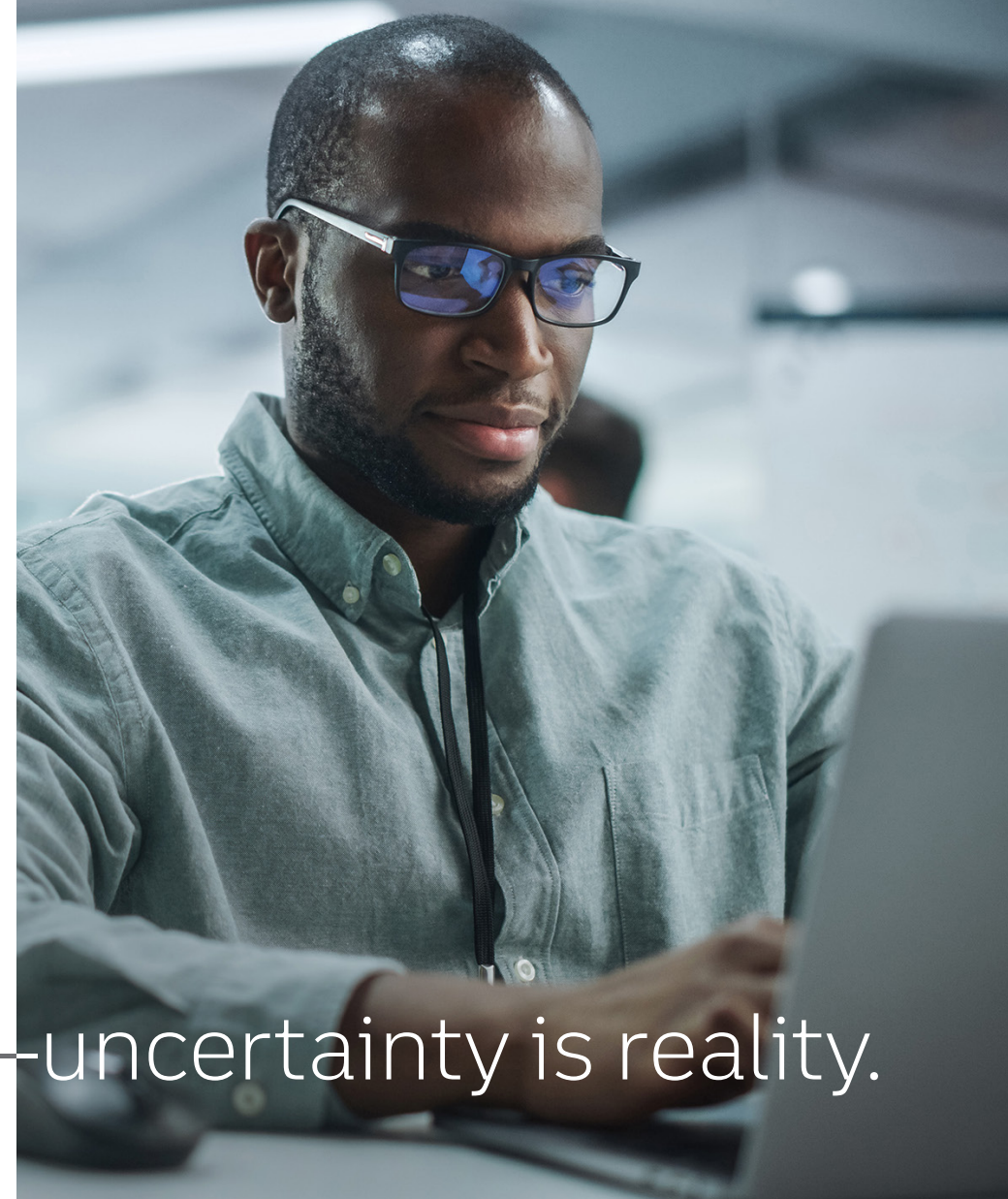
Society faces accelerated change across all functions, industries, and countries—and the rate of change continues to increase (Accenture, 2025). Three factors are driving this accelerated change: Technology, talent, and economic uncertainty.

- **Technology:** AI has introduced multiple opportunities and challenges for organizations. However, many organizations struggle to find and implement the right use cases for increasing efficiencies and innovation.
- **Talent:** Organizations must prepare workers with the right skills to meet their needs—and nearly 34% of required skills will shift by 2030 (World Economic Forum, 2025). These skill shifts, coupled with marked changes in talent demographics as older generations retire, contributes to new expectations for organizational culture.
- **Economic uncertainty:** Organizational success relies on a clear vision and strategic direction. The uncertain economy and fast-changing consumer sentiment make it difficult for companies to predict the right investments for growth (Valdez, 2025).

In response to accelerated change, organizations have in turn accelerated their cycles of reinvention. As many as 20% of companies report reinventing themselves every twelve months—faster than their budget cycles (Zhexembayeva, 2024).

This research explores the relationship between organizational agility and psychological contracts—the implicit beliefs held by employees about what their organizations have promised them in exchange for their work.

Stability is an illusion—uncertainty is reality.



Research framework

Psychological contracts are perceived promises made between employees and their organizations: I have agreed to do good work and my employer has made promises to me in return. They matter to organizational agility because they are beliefs: They are not observable by others, may be deeply entrenched, and may be invisible even to the person holding the belief.

Some psychological contracts are opposed to agility itself:

I've been promised stability: "I do good work, and my job will be here for me tomorrow."
Reality—re-invention may require frequent restructuring to create the right roles with the right people in them to reach objectives.

I've been promised project breaks: "I get to work on a project, I complete it, and then I can take a pause before the next project comes." **Reality**—projects may be started and completed (or be scrapped) with virtually no pause.

I've been promised development: "The organization will assist me in developing my skills." **Reality**—organizations may enable employees, but employees must be intrinsically motivated and take action to develop themselves."

This research examined the role psychological contracts play in employees' ability to remain resilient during disruptive change. We explored the impact of contract fulfillment and contract breach on three outcomes: Job satisfaction, likelihood to recommend the company as a great place to work, and engagement—a key indicator of agility.



Our research explores five questions

1. Do employees believe that their organizations have fulfilled, breached, or violated their promises to them?
2. Do these beliefs impact likelihood to recommend the company as a great place to work, job satisfaction, and/or engagement?
3. What is the impact of disruptive events on perceptions of contract fulfillment, breach, or violation?
4. What promises do employees believe have been made to them by their organizations?
5. Does the quality of manager relationships and executive communication change beliefs about whether contracts have been fulfilled, breached, or violated?



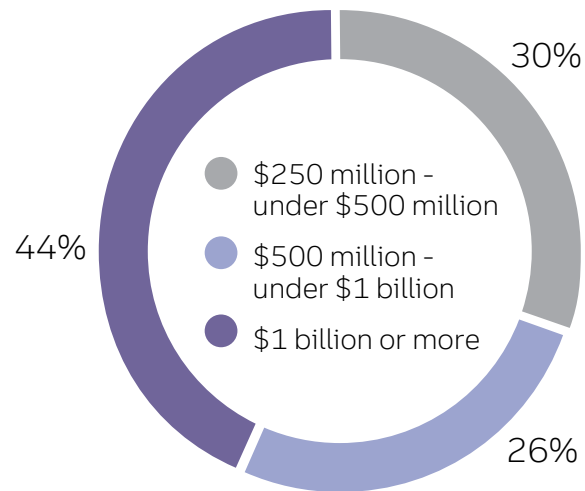
Panel demographics

Our research included:

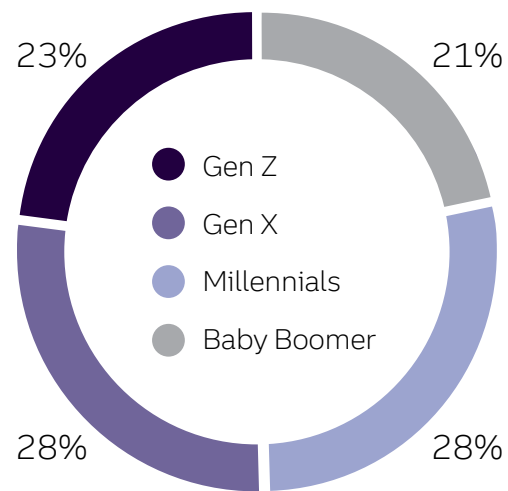
- A national panel with 1200 respondents who completed an online survey
- Questionnaire design informed by a literature review of psychological contracts
- Rigorous statistical validation of questionnaire and results



Company Size (Revenue)



Generation



- All respondents worked full time
- 20+ industries represented
- 49% female, 51% male
- 51% managers, 49% non-managers

A photograph of a meeting in progress. In the center, a man with grey hair and glasses, wearing a grey suit jacket over a white shirt, is pointing at a laptop screen. He has a serious expression. To his right, a woman with dark hair pulled back is looking at the screen. In the foreground, the back of a woman's head and shoulders is visible, wearing a striped shirt. The background is a blurred office environment with large windows and modern decor.

Definition and Importance of Psychological Contracts

Understanding psychological contracts

A psychological contract is an individual's system of beliefs, based on commitments expressed or implied, regarding an exchange agreement with another (Rousseau, 2011).

These psychological contracts are implicit promises. They are not written, but rather inferred from the conversations and actions employees have within their organizations. Their beliefs about which promises are being made—and whether those promises are fulfilled—impact their enthusiasm for work and organizational advocacy.

- Psychological contracts are unwritten expectations and obligations between employees and employers that shape workplace relationships and motivations (Rousseau, 2004).
- They are perceptions of implicit promises made about how the organization will behave in exchange for employees' loyalty and best work.
- They are formed by employees' interpretation of human resource practices, socialization events, and initial workplace experiences (Rousseau, 2004; Wangithi & Muceke, 2012).
- They change over time (Singh & Dhan, 2023; Wangithi & Muceke, 2012).
- They impact talent outcomes, culture, and performance.



Why do psychological contracts matter?

Psychological contracts matter because they create beliefs about what the organization has promised—and whether those promises have been fulfilled, breached, or violated. These beliefs in turn influence behaviors—and behaviors create results (Truist Leadership Institute, 2025).

What are those potential results or outcomes? Table 1 identifies the attitudes and behaviors associated with perceptions of contract fulfillment, breach, or violation (Coyle-Shapiro et al., 2019). Perceptions of contract fulfillment can lead to more positive results while perceptions of breach or violation lead to more negative ones. For example, employees who believe their contracts have been breached may disengage and reduce productivity; they are more likely to leave; and absenteeism might increase. Simply put, they are less willing to do the good work they promised because they believe the organization is not delivering its promise.

Employees who believe their organizations have violated their contracts may display attitudinal and behavioral issues that create serious risk for the organization.



Table 1 - Potential outcomes impacted by psychological contract beliefs

Attitudinal

- Organizational commitment
- Turnover intentions
- Organizational trust
- Job satisfaction
- Perceived organizational support
- Organizational cynicism
- Organizational identification

Behavioral

- Performance
- Organizational citizenship behaviors
- Voice
- Deviance
- Absenteeism
- Turnover
- Discretionary effort

Source: Coyle-Shapiro et al. 2019

A wide-angle photograph of a modern office building's interior. The space is characterized by a vast, glass-walled structure that allows natural light to flood the area. The floor is highly reflective, mirroring the silhouettes of people walking and the architectural details. In the foreground, a man in a dark suit is walking towards the right. Other figures are scattered throughout the space, some standing and others in motion. The background shows a cityscape with other skyscrapers visible through the glass panes. The overall atmosphere is professional and dynamic.

The Impact of Contract Fulfillment, Breach, and Violation

Overall perceptions of contract fulfillment

Respondents answered the question:

Overall, how well do you believe your organization has fulfilled its promises to you?

Contract fulfillment

67% said “moderately well or extremely well.” This group represents those who experienced overall contract fulfillment.

Neutral

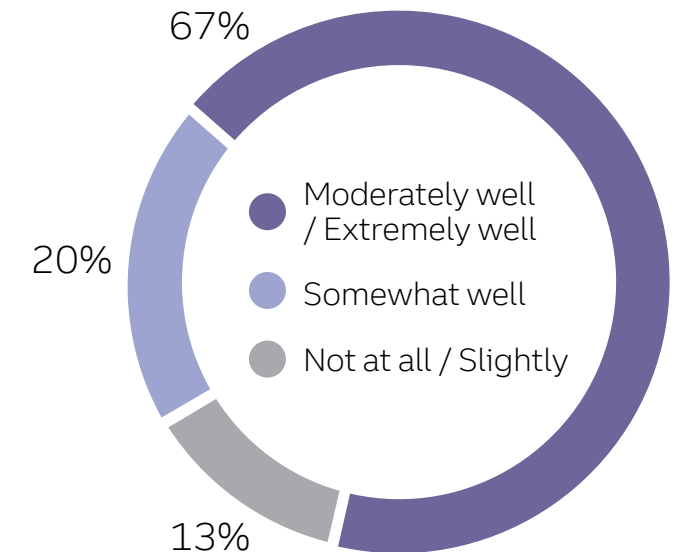
20% “somewhat well.” This group represents those who are neutral.

Contract breach

13% said “not at all or slightly.” This group represents those who experienced contract breach.



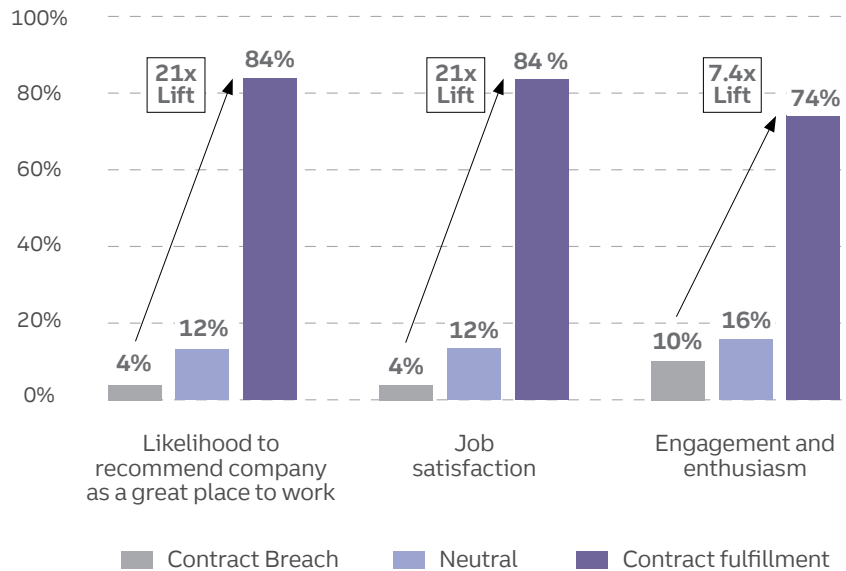
Contract Fulfillment Perception



Impact of contract fulfillment and breach on outcomes

Impact of Employer Contract Fulfillment on Key Outcomes

Overall, how well does your employer fulfill its commitments to you?



TOP BOX SCORE: % of respondents who agree/strongly agree with outcome statement

What we found

Respondents who perceived their organizations as fulfilling their commitments to them had 21x higher recommendation and job satisfaction ratings than those who perceived contract breach; the difference for employee engagement was 7.4x.

Why it matters

Each outcome relates to change readiness and organizational agility:

- Likelihood to recommend reflects the ability to hire and retain top talent
- Job satisfaction reflects an employee's sense that their job meets their expectations and brings a sense of accomplishment
- Engagement and enthusiasm reflects employees' willingness to give discretionary effort and support a positive work culture



Contract violation

We took a deeper dive by asking those respondents who had experienced overall contract breach (13%) if they also experienced contract violation.

Psychological contract violation is described as “an intense reaction of outrage, shock, resentment, and anger” (Rousseau 1989, p. 129). It can result in significant negative perceptions about self-worth and a sense of betrayal.

Of those who experienced contract breach, 40% said they believed their contract had been violated. They expressed strong emotions with 62% believing the organization did not value them and 54% saying they felt betrayed.

Of 13% experiencing contract breach:

40%: I feel that my organization has violated the contract between us.

62%: The organization does not value me

54%: I feel betrayed by my organization



Promises Made:
What psychological contracts do employees believe
have been offered?

Six common psychological contracts

Truist Leadership Institute's research team identified six potential psychological contracts based on work by Rousseau (2008) and our own work with Truist teammates.

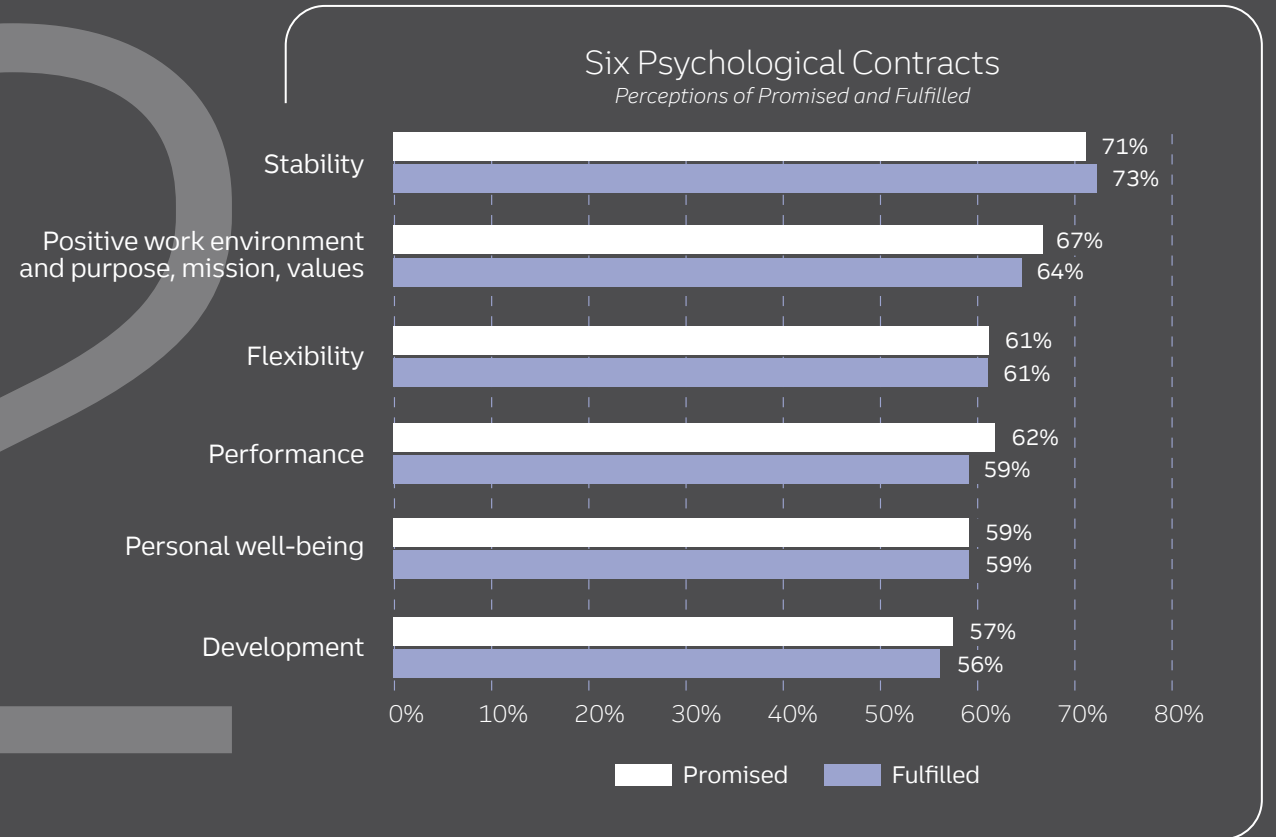
1. **Performance:** Support to achieve higher levels of performance
2. **Promotion:** Investments in career development and opportunities for promotion
3. **Personal welfare:** Concern for employees' personal welfare and well-being
4. **Stability:** Secure, steady employment with family benefits
5. **Positive work environment: Purpose, mission and values (PMV)/positive work culture:** Ethical behavior, inclusivity, transparency, and alignment of the corporate culture to its stated purpose, mission and values
6. **Flexibility:** Trust to work with little supervision, flexibility in work schedule, options to work remotely

Top two perceived promises: Stability and living out the PMV

Respondents rated each psychological contract in two ways: 1) Was the specific contract promised by the organization and 2) Was it fulfilled by the organization? The chart represents those who had high beliefs (4 or 5 on a 5-point scale) that the specific psychological contract had been offered and whether it had been fulfilled.

Most respondents believed all six psychological contracts had been promised—and most believed those promises had been fulfilled. A few findings stand out:

- **71%** of respondents believe that their organizations promise stability. **That's astonishing given that 87% have been through a disruptive event in the past 12 months. Even more astonishing is the fact that 73% believe this psychological contract has been fulfilled.**
- **67%** believe that the organization has promised to make decisions and actions that reflect their organization's purpose, mission, and values, aligning to the creation of a positive work environment.
- **59%** believe their organizations promise care for their employees' well-being.
- **57%** believe their organizations have promised to invest in their development.



Which psychological contracts matter most?

The six psychological contracts had different significant positive impacts on three outcomes:

- 1) Two psychological contracts impacted all three outcome variables:
 - 1) supporting employees' performance
 - 2) living the PMV and creating a positive work culture
- 2) Both promises to develop employees and to support well-being impacted two of the three outcomes—but not the same ones.
- 3) All six psychological contracts impacted job satisfaction.

Fulfillment of Psychological Contract	Impact to Job Satisfaction	Impact to Recommendation	Impact to Engagement
Well-being	X		X
Performance	X	X	X
Development	X	X	
Stability	X		
Flexibility	X		
PMV & Positive Work Culture	X	X	X

Analysis note: We used multiple regression analyses to identify whether the sense of fulfillment for a particular psychological contract significantly impacted the outcome variable. An X in the box means the psychological contract was a significant predictor of that outcome.



Differentiators in Contract Fulfillment Perceptions:
Disruptive events, positive manager relationships,
and great communication

Disruptive events: Indicators of change

87% have experienced a disruptive event in the past year.

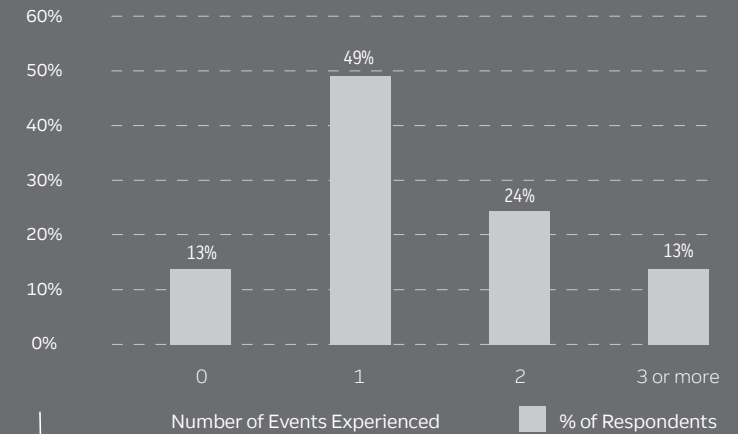
Our survey respondents indicated which of six disruptive events they had experienced over the past months. 87% indicated they experienced at least one disruptive event—and 37% experienced two or more events. That’s a tremendous amount of change in a 12-month period.



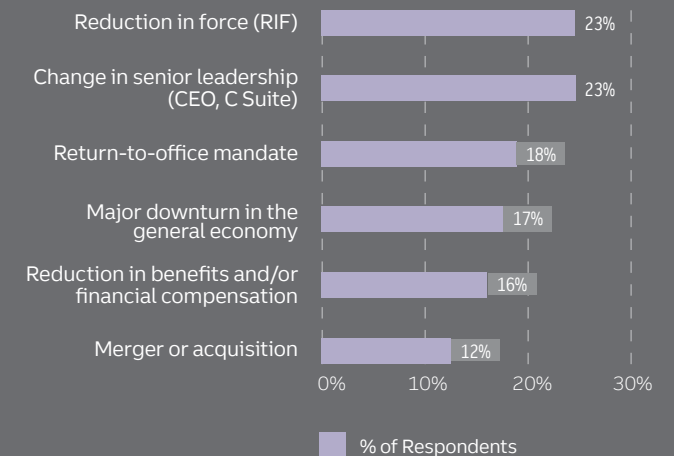
These events reflect risks to employee stability and employment (a reduction in force), policy changes (return-to-office mandates), and changes in leadership or investors (strategy and structure).

How did these disruptive events impact employees’ perceptions of whether their organizations fulfilled their promises to them?

Disruptive Events Experienced Over Past 12 Months



Types of Events Experienced



Disruptive events escalated contract breach to contract violation

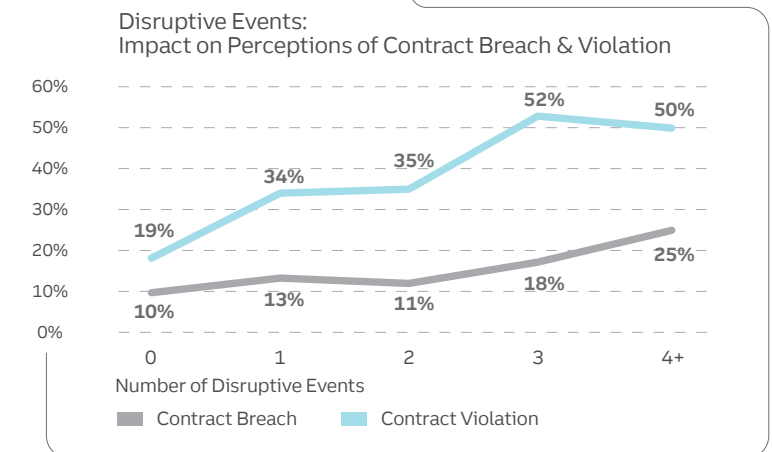
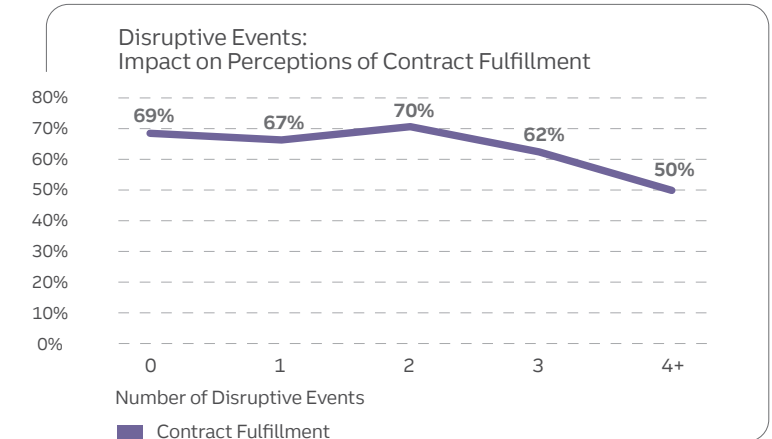
Disruptive events had little impact on those who believe contracts are fulfilled.

Disruptive events themselves had little impact on perceptions of contract fulfillment—until the organization experienced 3 or more events. Most respondents seemed resilient to disruptive events.

However, disruptive events markedly increased the sense of contract violation for those who already perceived contract breach.

A different pattern emerges for the 13% of respondents who perceived contract breach. The sense of contract violation markedly increased with the number of disruptive events occurring in the organization:

- 10% of respondents who believe contract breach had occurred experience 0 disruptive events. Of those, about 1 in 5 indicated they experienced contract violation.
- When the number of disruptive events increased from 0 to 1, the sense of contract violation **doubled**.



The importance of a positive employee-manager relationship

What we found

Excellent manager relationships have a significant positive impact on:

- Perceptions of contract fulfillment
- Recommendation rating
- Job satisfaction
- Engagement



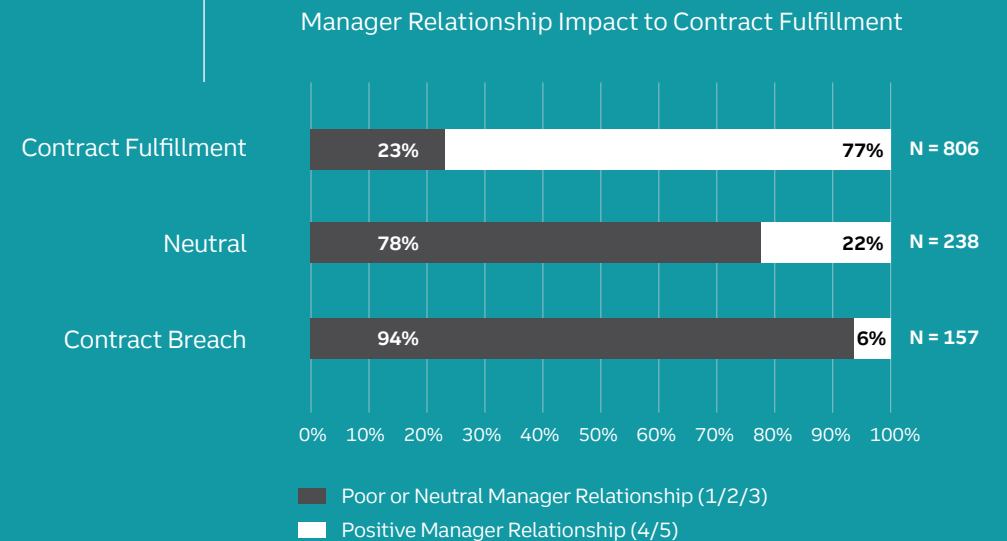
Why it matters

Managers are in a unique position to do three things:

- Ensure employees' don't form beliefs that promises have been made when they have not (e.g., stability and long-term employment).
- Communicate clearly about why changes happen (Coley, 2024)
- Champion the need to be change-ready and the importance of being change accelerators (not inhibitors) (Heuvel et al., 2016).

Contract fulfillment: Of those who believed their organizations fulfilled their contracts, 77% had a positive relationship with their manager; only 23% did not.

Contract breach: The reverse was true for those who felt their organizations had breached their contracts: Only 6% had a positive manager relationship, 94% did not.



Additional graphs appear in the Appendix for the outcomes of recommendation rating, job satisfaction, and engagement.

The importance of clear executive communication

What we found

Excellent executive communications have a significant positive impact on:

- Perceptions of contract fulfillment
- Recommendation rating
- Job satisfaction
- Engagement



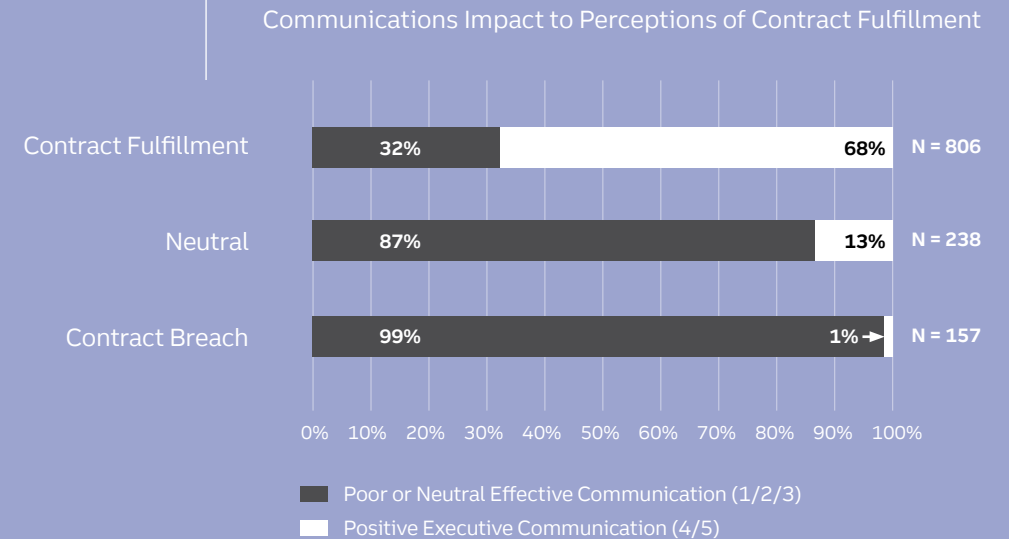
Why it matters

Executives impact psychological contracts and expectations at every level:

- Executives convey a clear strategic vision and convey how the organization will benefit (Smith, 2023).
- Without executive connectedness, employees might be unengaged at work or quit, even if they have a good relationship with their manager (Gallagher et al., 2023).

Contract fulfillment: Of those who believed their organizations fulfilled their contracts, **68% had a positive view of executive communications; 32% did not.**

Contract breach: The reverse was true for those who felt their organizations had breached their contracts: **Only 1% reported clear executive communication, 99% did not.**



Additional graphs appear in the Appendix for the outcomes of recommendation rating, job satisfaction, and engagement.

A woman with braided hair, wearing glasses and a brown blazer over a light blue shirt, is smiling and gesturing with her hands as if presenting. She is holding a white marker in her right hand. The background is a blurred meeting room with other people's hands raised, suggesting an interactive session. The text "Leadership Best Practices" is overlaid in white on the image.

Leadership Best Practices

Promise change, not stability.

Why it matters

Employees must understand that reinvention and change is the new normal. Irrelevant projects will be stopped. Organizational structure may change. Innovation will happen. Upskilling and re-skilling must take place (Zhexembayeva, 2024).

“We have entered an era in which the only way to manage continuous turbulence is through continuous reinvention” (Zhexembayeva, 2024, p. 4). This was true for our research respondents: Over 83% of respondents experienced a disruptive event over the past 12 months. Even so, over 70% of them believe their organizations offer stability.

Emphasizing that change is the new normal will reset expectations of what is promised, making the perception of stability less “sticky” and lessening the cultural drag of perceived contract breach or contract violation.



What leaders can do

- 1 Share data.** Share metrics demonstrating the accelerating rate of change (Accenture Pulse of Change, World Uncertainty Index, or the Global Risk Report). Help employees understand that this speed of change means the organization cannot slow down—and neither can they.
- 2 Involve employees in solutions.** Assign employees to engage in “sensing” activities to get outside-in perspectives (Flink et al., 2023). What are clients seeing and asking for? How are competitors responding? What industry innovations have come to market? Then create opportunities to develop forward-thinking solutions that are market leading rather than market lagging.
- 3 Operationalize innovation.** Change the operating model to incorporate four process for change readiness: 1) Discover—what’s happening? 2) Adopting—scenario planning and business case models; 3) Transforming—clear objectives with structures and decision-making rights to make change happen; and 4) Differentiating—Reinvention and innovation becomes a competitive differentiator.

Require and model cultural integrity.

Why it matters

Corporate culture matters. Leaders set culture through the attitudes, beliefs, and behaviors they demonstrate to others. Employees observe whether leaders' behaviors reflect the organization's stated purpose, mission, and values, creating a positive work environment. When behaviors align to the PMV, organizational trust and cultural integrity increase.

The importance of a good culture and positive work environment cannot be overstated (Mortensen & Edmondson, 2023). This research study found that delivering on this "promise" has a significant positive impact on job satisfaction, recommendation, and employee engagement. It also mitigates the likelihood of perceptions of contract violation.

Employees need to understand the values that drive the organization's culture and the behaviors that align to those values, and they need to see the values reflected in daily behaviors and processes (Falbo et al., 2025).



What leaders can do

- 1 Make sure your behaviors align to the PMV and corporate policies.** If health and well-being is emphasized, your support for time off, encouraging resilience practices, and modeling well-being behaviors show you are living the PMV values. If one of the corporate values is "trustworthy," then examine your own behavior—are you?
- 2 Connect people.** Support social connection. The world is increasingly lonely (Holt-Lunstad, 2024) and that is true at work as well. Actively create opportunities to connect socially—both online and offline. Take the time to informally map networks in your teams or ask them to do it themselves. What is the frequency and quality of the conversations between each individual and others? Do they appear to be isolated or supported by the network? Encourage shared work that allows teams to work towards common goals. And take the time to make sure you connect with people as real human beings. It can't always be about work.
- 3 Create meaning and value.** Find opportunities to connect employees' work to the organization's PMV and strategy. How do their attitudes and behaviors help shape the culture? How does their work connect to business objectives? Help employees see how they also hold accountability for cultural integrity and a positive work environment.

Support performance and invest in development.

Why it matters

57% of respondents believe their organizations have promised to invest in their development and 62% believe they have been promised support for excellent performance. Many organizations promise that they will invest in their employees' learning and development as part of their employee value proposition (Mortensen & Edmondson, 2023). And organizations routinely promise development and performance support when recruiting job candidates.

Fulfillment of these promises matters. Perceptions that organizations met (or did not meet) development and performance psychological contracts has a high impact on job satisfaction and recommendation ratings—and performance has an additional impact on engagement. Other work by Truist Leadership Institute has validated the importance of career development and learning to engagement, intent to stay, and pursuing purpose at one's company (Flink, 2024).

The World Economic Forum (2025) reports that 39% of existing skill sets will be transformed or become outdated over the 2025-2030 period. Organizations must invest in continuous skills development to be change-ready and remain competitive. Delivering on this promise is simply good for business.



What leaders can do

- 1 Invest in strategic workforce planning.** Identify the capacities you need today, the ones you will need tomorrow, and the competency levels required for different levels of responsibility. Mind the gap and invest in the right capacity development strategies for the future.
- 2 Emphasize that employees own their own development.** The organization must enable development with the right learning and development tools, programs, and opportunities—and employees must have the self-motivation to take advantage of these offerings. Make it part of the psychological contract—we are fulfilling the promise by making opportunities available—and you must own your own development.
- 3 Managers must support development.** Project completion, hitting sales numbers, and other key objectives may be so highly prioritized that they derail development activities. Make sure that employees actually get the time to participate in classes, take on stretch assignments, job shadow, and other activities that help them learn. Constantly prioritizing “getting the job done” over development breaks the promise of investing in growth and skills development.

Communicate frequently and honestly.

Why it matters

Honesty and transparency are the most highly prized work values across all generations (Flink & Coley, 2024). Those values hold true across all levels of the organization: Executives must provide as much transparency as possible to build perceptions of trustworthiness and caring. They need to focus on the WHY behind change.

Disruptive events like downsizing or mergers create lots of questions about WHY. Why are we doing this? How are decisions being made? Clarity from executives to managers to the front-line helps everyone understand business objectives, align execution, and commit to success. Everyone needs to understand what success looks like.

When executives choose to connect, three outcomes improve: Employees are more likely to commit to the organization's purpose, are more engaged at work, and are more likely to stay.



What leaders can do

- 1 Be clear on the WHY behind change.** Develop clear, frequent, and consistent messages about the organization's business objectives, challenges facing the organization, and the strategy to accomplish both performance and purpose objectives. Use storytelling to create a picture of the future and what success might mean.
- 2 Show empathy.** Executives consider options and make the best decisions possible for the organization as a whole. Tradeoffs are inevitable with different positive and negative impacts to individuals. Communicate with respect and empathy, acknowledge the impact and expressing support. The livelihoods of real human beings are at stake.
- 3 Connect job roles to the WHY.** When employees understand how their individual work contributes to the company's overall vision, it gives them a sense of purpose. This can shift their mindset from merely performing a task to being an integral part of a larger mission, which boosts motivation and accountability.

In conclusion

Managing psychological contracts creates agility

Agile organizations need employees who are prepared for change—and this means ensuring employees understand that change is real and constant.

Leaders need to identify the psychological contracts employees believe have been made—then clarify which are reasonable to hold, how the organization is fulfilling its promises, and when necessary, why they cannot.

“The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”

- Socrates



Appendix

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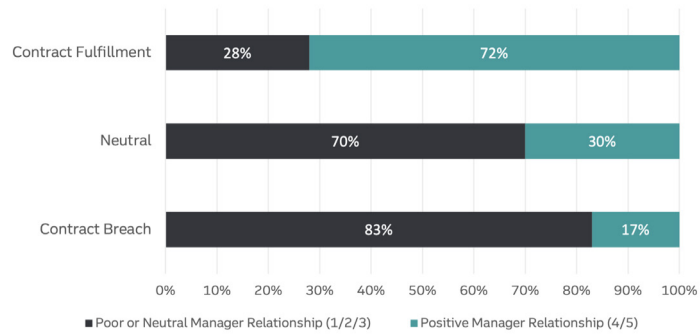
Appendix

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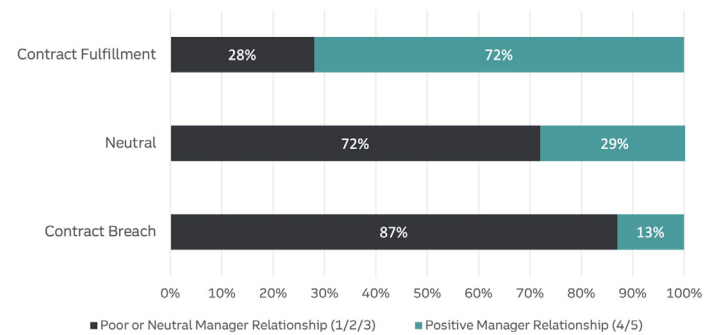
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Appendix

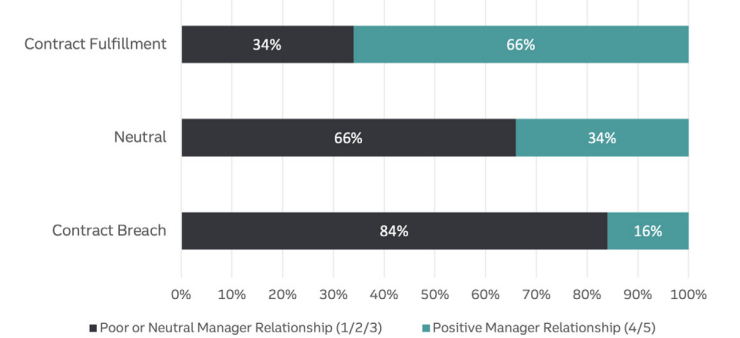
Manager Relationship:
Impact to Recommending the Organization



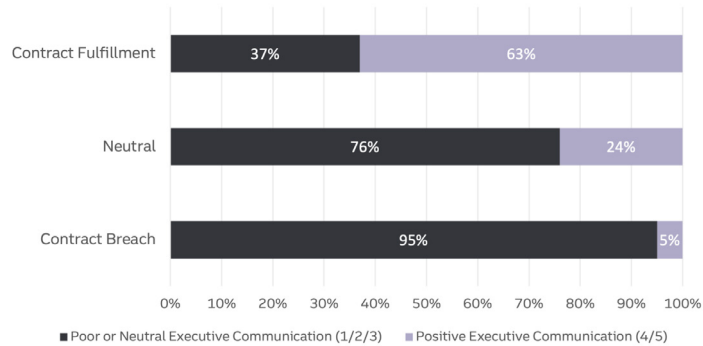
Manager Relationship:
Impact to Job Satisfaction



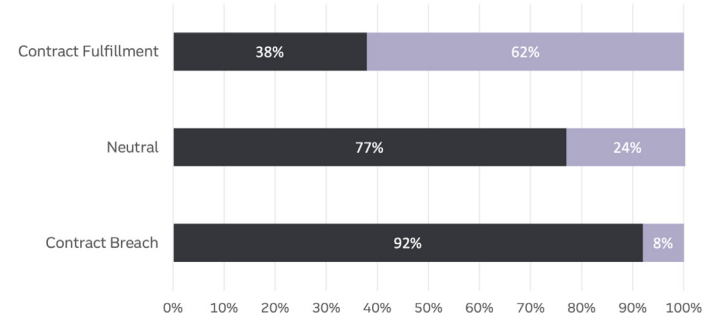
Manager Relationship
Impact to Engagement and Enthusiasm



Executive Communication
Impact to Recommending the Organization



Executive Communication
Impact to Job Satisfaction



Executive Communication
Impact to Engagement and Enthusiasm

