

Don't hate the player, hate the change

A qualitative study on how a change from stable to unstable circumstances affects the dynamic of psychological contract processes for employees in start-ups

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Abstract

This study aims to explore Rousseau et al.'s (2018) framework of the *dynamic phase model of psychological contract processes* by shedding light to the change from stable to unstable circumstances for employees at start-ups. The change in circumstances concerns more specifically the process of going from a booming economy to the emergence of the COVID-19 pandemic. The study conforms to the interpretivist paradigm and includes 25 semi-structured interviews with employees at start-ups in Stockholm during the summer of 2020. The findings demonstrate that during unstable circumstances, the employees initiated a temporary contract rather than reassessing their current. The temporary psychological contract was defined as a short-term and changed goal-driven contract with a high reliance on that the new normal would emerge with conditions similar to the ones that existed during stable circumstances. Moreover, the findings challenge the current understanding of the dynamic in the psychological contract processes by suggesting an alternative direction of the interphase transitions into the repair - and renegotiate phase. This study extends Rousseau et al.'s theoretical framework (2018) by presenting alternative dynamics to the process of a PC that incorporates the dynamics of changing circumstances. This study further provides valuable insights for start-ups to navigate through the COVID-19 pandemic.

Keywords

Psychological contract, crisis management, start-up, COVID-19, Dynamic process

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“Change is the law of life - and those who only look into the past and the present are certain to miss the future”

John. F. Kennedy

Table of Contents

1 INTRODUCTION	8
1.1 PROBLEMATIZATION	10
1.2 PURPOSE AND RESEARCH QUESTION	11
1.3 DELIMITATIONS.....	12
2 THEORY	13
2.1 LITERATURE REVIEW	13
2.2 THE MAIN THEORETICAL FRAMEWORK OF THE STUDY	16
2.3 THE COMPLEMENTARY RESEARCH AND THEORETICAL MODEL.....	21
2.4 CRITICISM AGAINST THE THEORIES USED IN THE STUDY	23
3 METHODOLOGY	24
3.1 SCIENTIFIC RESEARCH APPROACH	24
3.2 PREPARATORY WORK	25
3.3 MAIN STUDY	26
3.3.2 INTERVIEW GUIDE	26
3.3.3 DATA COLLECTION	27
3.4 DATA QUALITY	29
3.5 METHOD CRITICISM.....	31
4 EMPIRICAL FINDINGS	33
4.1 EXPECTATIONS ON THE WORK AT START-UPS.....	33
4.1.3 COMPANY MISSION AND THE ABILITY TO IMPACT SOCIETY	35
4.1.4 TIGHT RELATIONSHIPS AND CLOSE COMMUNICATION	36
4.1.5 REALIZATION OF GOALS	36
4.2 CHANGE OF CONDITIONS DURING THE EMERGENCE OF THE PANDEMIC.....	37
4.3 PERCEPTIONS OF THE CHANGING CIRCUMSTANCES	40
4.3.3 STARTING TO CONSIDER START-UPS AS RISKY	41
4.3.4 A FUTURE CONTAINING A NEW NORMAL	42
5 ANALYSIS	44
5.1 USING SHARED AND INDIVIDUAL ELEMENTS FOR UNDERSTANDING THE PC DURING STABLE CIRCUMSTANCES.....	44
5.2 THE ABSENCE OF STRONG NEGATIVE AFFECT DESPITE LARGE DISCREPANCY IN EMPLOYER OBLIGATIONS	44
5.3 THE ACCOMMODATION OF A TEMPORARY PC.....	45
5.5 TEMPORARY PCs DURING UNSTABLE CIRCUMSTANCES RESULTING IN TWO DIFFERENT BEHAVIORS..	46
5.6 CONCLUSION	48
6 DISCUSSION	49
6.1 THEORETICAL CONTRIBUTION AND IMPLICATIONS	49
6.2 METHODOLOGICAL CONTRIBUTION TO PC RESEARCH	51
6.3 EMPIRICAL CONTRIBUTION AND PRACTICAL IMPLICATIONS.....	51
6.4 LIMITATIONS OF THE STUDY	52

6.5 SUGGESTION FOR FUTURE RESEARCH	53
7 APPENDIX	54
APPENDIX 1 - START-UP NETWORKS	54
APPENDIX 2 - E-MAIL TO COMPANIES.....	54
APPENDIX 3 - RESPONDENT'S IN THE STUDY	55
APPENDIX 4 - INTERVIEW GUIDE.....	55
8 REFERENCES	57

Words used in the study and how they are interpreted

Word	Definition
COVID-19	Coronavirus disease is an infectious disease caused by a newly discovered coronavirus.
Established firms	Large companies and SMEs that do not fall under the definition of a start-up.
Global Financial Crisis	The financial crisis of 2007–2008, also known as the global financial crisis (GFC), was a severe worldwide financial crisis. Excessive risk-taking by banks combined with the bursting of the United States housing bubbling crisis. The crisis sparked the Great Recession, which, at the time, was the most severe global recession since the Great Depression.
Large companies	Companies with over 249 employees (Eurostat, 2019).
Lockdown	A governmental initiative that enforced all citizens to stay and remain at home to practice social distancing
Pandemic	An epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting many people (Doshi, 2011).
Public Health Agency of Sweden (PHA)	The Public Health Agency of Sweden is a Swedish government agency with national responsibility for public health. It monitors the health of the population, infectious disease control measures, and public health interventions, and assists the Government in its decision-making process by providing facts and knowledge. The agency is tasked with minimizing negative environmental impact on human health and participates in the work of the EU and international public health organizations, such as the WHO and IANPHI (Folkhälsomyndigheten, 2020).
Remote working	The practice of an employee working at their home, or in some other place that is not an organization's usual place of business (Cambridge Dictionary, 2020)
SME	Small and medium sized corporations. Companies with 10 - 249 employees (European Commission, 2019).
Start-up	A human institution designed to create a new product or service under conditions of extreme uncertainty of who is your customer, what product they want, and how do we build a sustainable business" (Talks at Google, 2011).

1 Introduction

The psychological contract (PC) is a widely used conceptual framework that has been researched for decades to understand the employer-employee exchange relationship (e.g., Argyris, 1960; Schein, 1980; Rousseau, 1989). In the field, Denise Rousseau's work is undoubtedly the most recognized (1989; 1995; 2001), and its popularity can be seen as an endorsement of its high explanatory power and logical validity (Marks, 2001).

Fundamentally, the PC framework explains if the obtained relationship resembles the anticipated one (Rousseau, 1995). By analyzing employers' and employees' reciprocal expectations it can explain outcomes such as employee turnover or motivation (Guest & Conway, 1997). These expectations are based on both formal and informal agreements between an employer and its employee (Rousseau, 1995). Despite its duality of considering both parts of the PC, past research has shown that focusing on the employee perspective generates a valuable understanding of the PC process and associated recovery of unfulfilled perceived obligations (Coyle-Shapiro, Costa, Doden & Chang, 2019). Even though Rousseau (1995) argues that mutual expectations are not a requisite and both parties have different subjective views on the PC, this study only has interest in understanding how the employee's dynamic PC process impacts behavior in an organization. Most recently researchers such as Bankins (2015) and Solinger, Hofmans, Bal & Jansen (2016), have emphasized that a major shortcoming in Rousseau's earlier works (e.g., 1989; 1995; 2001) concerning the absence of understanding the PC as a dynamic process. Therefore, Rousseau, Hansen & Tomprou (2018) addressed the limitations of earlier works and advanced the theory by publishing *the dynamic phase model of psychological contract processes* in which they developed and conceptualized the intra- and interphases and how unpredictable actions and conditions can impact the dynamics of PC processes.

In earlier PC research, Schein (1980) acknowledges that both internal and external changes could affect the PC. More recently, Kickul, Lester & Finkl (2002) emphasize the importance of incorporating change into the discussion as it can impact the working conditions and thus the dynamics in the PC process. Thereby, conducting a study on how the change in circumstances, such as going from a booming economy where companies thrive to a pandemic which enforces limitations and restrictions, affects the working conditions for employees would capture how the dynamics of a PC process develop over time when expectations are not met. To be specific, exogenous change, refers to the one being introduced by others or the environment (Berberian & Cleeremans, 2009). Practically, an exogenous change can be demonstrated by the change in circumstances that occurred during the spread of COVID-19 (hereof: the COVID-19 pandemic) as it enforced negative change on society and individuals which thereby impacted working conditions on companies globally. As a result, employees might experience a rapid change in their working terms and clarity for what future events could occur. Due to that these possible changes could occur to employees working terms when finding themselves in a change of circumstances they might not reflect their past experiences or knowledge. The COVID-19 pandemic therefore

provides a strong opportunity to understand the dynamic process of PCs (Stephany et al., 2020) since it represents a context where employees cannot negotiate new working terms with their employer that makes up for their disrupted contract – as the change is beyond the control of the employer. Even though the implications of the COVID-19 pandemic are yet unfolding, research suggests that it could cause such devastating economic and societal consequences that it may become the worst recession to humankind since World War II (Baker, Bloom, Davis & Terry, 2020). Therefore, to extend our knowledge about PC dynamics, the present unstable circumstances resulting from the pandemic developed into a unique context that would generate essential understanding to the dynamic process of a PC and how it might be changed when expectations are not met, new expectations has to be concretized and the employer cannot make up for the disruption as it is beyond their control.

More specifically, start-ups are considered as more sensitive than established firms related to crises, which tend to be a result of significant exogenous change, (Walsh & Cunningham, 2016; Doshi, Kumar & Yerramilliet, 2018). Start-ups in general are characterized by focusing on fast growth, continuous innovation and raising investments (The Hub, 2019; Grant, 2020), which are aspects that might be challenged during crises (Calvino, Circolo & Verlhac, 2020). Unlike most established organizations, start-ups rely on external sources for investments to grow. As investment for start-ups tend to be performed during stable circumstances such as booming economies, these are arguably challenged during less stable ones. Likewise, start-ups have been told to be a booming economy phenomenon and non-existing during less stable circumstances such as recessions or crises. Thereby, start-ups are an organization type that is likely to experience negative change in terms of working conditions during a pandemic as a result of withdrawn investment and strengthened financial restrains. Thus, a start-up is an organizational type that most likely is affected by unstable circumstances as it cannot rely on past resources like established companies. So far, PC research has primarily been conducted on established firms even though start-ups are increasing in relevance in the academic areas of entrepreneurship and management (Salamzadeh & Kawamorita, 2015). Griep et al. (2019) encourage research on PCs in a start-up setting since they could provide valuable insights in the research field. Therefore, given start-ups' characteristics and the consequences the COVID-19 pandemic inflicted upon them, they are arguably more prone to experience implications on their PC when circumstances change from stable to unstable. Hence, start-ups are especially interesting to conduct this study on despite that the pandemic virtually affected all companies in society to some extent.

This study is based on thoughts such as: How an external change, outside the control of the employers, affects the PC for employees at start-ups? How do employees make sense of working terms when circumstances are uncertain and unpredictable? And finally, are working terms at start-ups equally attractive during unstable circumstances? In its role as an exploratory framework, the dynamic phase model of PC processes is not only an excellent framework to address these inquiries, but learnings from this study would enrich the broad research field in several different areas.

1.1 The importance of this study

The dynamic phase model of PC processes by Rousseau et al. (2018) contributes with a crystalized version of theories behind the dynamics of the everlasting changing terms in a PC. Rousseau et al. (2018) contributes with knowledge of how to assess the dynamics of the process which becomes a valuable framework for this thesis due to our interest in understanding how the employees at start-ups' thoughts and behavior develop over time. The framework further contribute with an understanding for how a PC could be disrupted due to unfulfilled obligations and describes the dynamics for how a PC could return to a maintenance phase. Thereby, this should arguably be of interest to challenge when new working conditions are difficult to concretize. These insights can be used to understand how the employees at start-up's PCs and the dynamic in those is affected by changes in circumstances, such as going from stable to unstable. The theory lacks data contribution due to its recent publication and it remains unclear what environmental state the process is based on, or if the process is representative for all types of circumstances. Past research has demonstrated that PCs look different depending on the context of its existence (Collins, Cartwright & Hislop, 2013; Lee, Liu, Rousseau, Hui, & Chen, 2011) and that change impacts PCs (Restubog, Zagenczyk, Bordia, Bordia & Chapman, 2015; Rosen, Chang, Johnson, & Levy, 2009), yet there is a lack of knowledge of how a contextual change shape the dynamic process of PCs.

To understand why the *change in circumstances* is of interest, it is important to acknowledge that unstable circumstances that evolve through exogenous shocks can be characterized with high levels of uncertainty (Block & Sandner, 2009; Conti, Dass, Di Lorenzo, & Graham, 2019). Further, uncertainty is likely to impact the ability for employees to make sense of past and future expectations. To concretize, the definition for uncertainty is the "*perceived [in]ability to predict outcomes in the general business environment accurately because of insufficient information or the inability to discriminate between relevant and irrelevant data*" (Milliken, 1987, p. 136). The rationale behind studying the emergence of the COVID-19 pandemic is further to demonstrate a *change from stable to unstable circumstances* and can be explained by the multiple effects on companies from the COVID-19 pandemic and the extensive uncertainty in terms of duration and impact resulting from this particular exogenous shock. The pandemic was unique as it resulted in changes for individuals and companies which the world had not yet experienced, something that led to new conditions for each employee to cope with and made it more difficult to interpret employee obligations one could rely on. Additionally, and more specifically, the uncertainty emerging during the pandemic was especially severe as it occurs consistently with not only a singular change but multiple changes, all occurring more or less simultaneously in the organization. First, the pandemic has had several negative financial implications for start-ups in Sweden as research demonstrate that investment decreased (KPMG, 2020), cash reserves diminished and trading stopped (Bartik et al., 2020; Giupponi & Landais, 2020; Kuckertz et al., 2020). Second, work from home arrangements has been implemented across occupations since the Public Health Agency (hereof: PHA) recommended Swedish people to impose social distancing (Kramer & Kramer, 2020). Third, research has demonstrated that the COVID-19 pandemic does not only affect physical health but also mental health in terms of increased anxiety, stress, and depression (Satıcı, Cöcet-Tekin, Deniz

& Satici (2020). Put simply, the COVID-19 pandemic and its implications are unique from all past societal changes with respect to the urgency, scope, and magnitude of negative demand and supply shock (Reinhart, 2020).

Relevant research has shown that individuals are likely to re-evaluate their implicit employment relation as a result of societal disruption that changes the way a company works and thus challenge existing mental schemas (De Ruiter, Schalk, Schaveling, & Van Gelder, 2017; Schalk & Roe, 2007). Thereby, demonstrating that a change in circumstances can affect the employer's ability to fulfill their obligations, which might lead to unmet obligations despite the action of the organization (Robinson & Morrison, 2000). It should therefore be of interest to learn how the dynamic process of PCs and employees' behavior (O'Neil, 2020; Deloitte, 2020) is affected by a change in circumstances resulting in uncertainty and ambiguity in what obligations can be realized. Additionally, by investigating start-ups which tend to have more limited resources, and which are more sensitive during a crisis, the change in working terms and thus the dynamic process of PC becomes especially apparent.

1.2 Purpose and Research Question

Given the exogenous shock, its uncertainty and the COVID-19 pandemic's implications on start-ups in terms of a change in circumstances, start-ups are likely to face many challenges and changes in employee working terms. Rousseau et al.'s (2018) framework emphasizes the process of the PC between the employer and employee and plays an important role in understanding how employees adapt to these changes. By understanding not only how the employees perceive the change from stable to unstable circumstances but also how they behave as a response to them, we believe essential theory can be contributed.

The purpose of this thesis is therefore to explore the dynamics of Rousseau et al.'s (2018) framework further by shedding light to the role of changing circumstances. More specifically, to understand the changing perception of a PC for employees at start-up when unexpected conditions emerge, past expectations are challenged, and new obligations have to be concretized in a world of uncertainty. All aspects which result in the following research question.

How does a change from stable to unstable circumstances affect the dynamics of psychological contract processes for employees in start-ups?

1.2.1 Expected Contribution

Rousseau et al. (2018) have developed a new theoretical framework for the dynamic process of PCs, yet it has a limited consideration for how the process is affected by a change from stable to unstable circumstances. Thus, this study aims to contribute theoretically by extending theory (Handfield & Melnyk, 1998) through obtaining an understanding for this matter.

1.3 Delimitations

1.3.1 Geographical location

This study will geographically be delimited to Stockholm as the city has experienced a radical change, going from stable to unstable circumstances for start-ups, thereby being an appropriate city for conducting this study. We share this belief based on three reasons. First, Stockholm has during the last few years been named as the third “unicorn” start-up city in the world and had before the pandemic exceedingly high venture capital investments and a rich start-up ecosystem. The city has generated numerous success stories, e.g., Klarna, Tink and Spotify (Sifted, 2020), and attracted a workforce from all over the globe (Ideamotive, 2020). Second, the city has attracted half of all the foreign direct investments in Sweden causing Stockholm to experience an exponential growth (Invest Stockholm, 2019). Third, since the COVID-19 pandemic emerged, Sweden has suffered from the biggest national unemployment level in the last 20 years (SCB, 2020). The country has further experienced a reduction of 8,6% in GDP during Q2 2020 (Schermer, 2020) and Stockholm was during the same period one of the most affected cities of the COVID-19 pandemic in Sweden in terms of cases, rate of infection, and death numbers (Folkhälsomyndigheten, 2020).

1.3.2 Length of employment

Rousseau et al. (2018) argues that depending on what part of the process the researcher wants to study, the respondents' time at the company must be considered to ensure that the right individuals participate. To capture the process of going from stable to unstable circumstances, the employee must have entered the company before the circumstances changed. At the same time, it is vital that the employees recently created their PC with their employers and clearly remembered their initial time at the company. This delimitation is therefore drawn from six months to two years to make sure they formed their expectations shortly before the pandemic occurred (i.e. during a booming economy) and that they had entered the maintenance phase when data was collected. Thus, to ensure their PC was stabilized when researching a possible disruption due to the organizational implications that occurred as a response to changing circumstances.

1.3.3 Time delimitations

While conducting this study, the number of COVID-19 related cases continues to increase globally and lockdown and containment measures are gradually being lifted in some countries while initiated in others (OECD, 2020). The effect of the pandemic is therefore difficult to assess, as it is still unfolding (Lv et al., 2020). Thus, resulting in ambiguity and complexity in comparing the respondent's answers. To manage this, we have delimited the time period to only conduct data during June-August 2020. Given that the same national recommendations applied in June as well as in August (i.e. avoid working at the office, traveling, social distancing) (Folkhälsomyndigheten, 2020), there is no reason for suspecting any major difference in terms of COVID-19 related effect on the start-ups which makes the respondents experiences comparable.

2 Theory

2.1 Literature review

2.1.1 A review of the fundamental parts in the psychological contract literature

Since the origin of the theory, PC research has been conducted by many well recognized scholars. The concept of the PC first emerged in the 1960's by Argyris who introduced the idea of a collective contract to understand work agreements. Levinson (1962) later defined the PC as “*a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other*” (p. 21) and argued that employees' perceptions, despite being implicit or not met, are a crucial aspect to consider in employment relations. If expectations are met, the employee will experience a PC fulfillment (hereof: PCF) whereas they will experience a PC breach (hereof: PCB) if they are not (Levinson, 1962). Schein (1965) further developed the idea of a reciprocal relationship between the employer and employee, emphasizing the importance of both parts' actions in a PC. He further argued that external and internal events can cause circumstances to change which impacts the PC, meaning that the PC is dynamic, constantly reassessed and always moving (1965, p.24). Kotter (1973) was the first author to suggest that the PC is negotiated between an individual and an organization, which was followed by Schein (1978) who realized that the perceived PCB in a contract could lead to employee dissatisfaction. The research field within PC theory received little attention during the first years and was first rediscovered as a useful conceptual framework following the publication of Rousseau in 1990. During the same time, Human Resource Management research also became more attractive for practitioners and academics as the scenery of labor began to change and develop toward more modern conditions (Archzen, 2015).

Despite its proficiency in explaining the perception of the employment relationship, the theory of PC was founded in a world of traditional industries and in hierarchical and bureaucratic corporations (Argyris, 1960, Kotter, 1973, Levinson, 1962 and Schein, 1965). During the last 60 years, companies have faced globalization and pressure on being more innovative which has forced companies to become more flexible, efficient, and work more decentralized (Herriot, Manning & Kidd, 1997). Work is further becoming increasingly digital and tasks have been automatized, resulting in disrupted work processes such as the management of employees, workflow control, recruitment, and the processes for making decisions (Kellogg, Valentine, & Christin, 2020). Although the theory of PC emerged as “an appealing and alternative paradigm” (Cullinane & Dundon, 2006; p. 117), these aspects demonstrate that the earlier work of PC need to be complemented, or substituted, with new and revised research during modern time (Schalk & Rousseau, 2008). Consequently, these aspects stress the need of applying the latest frameworks and models when conducting research within PC theory. To stay accurate, we have therefore used the latest definition of a PC in this study.

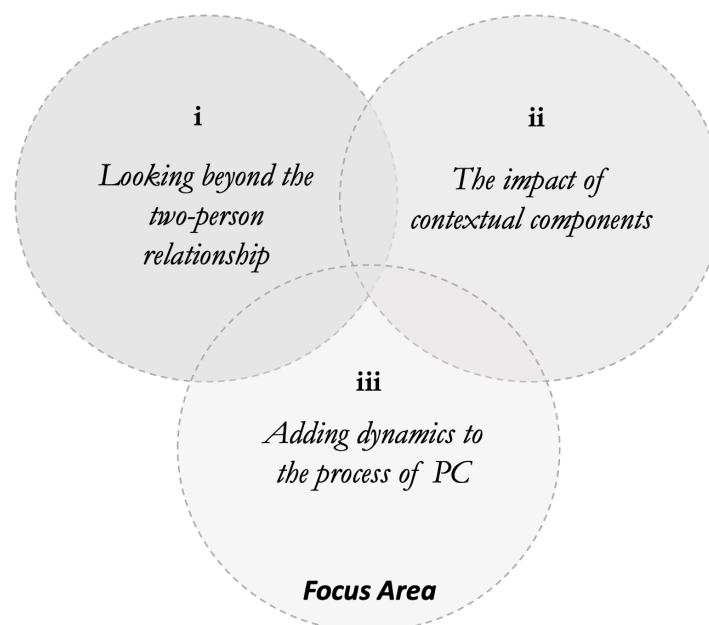
“a cognitive schema, or system of beliefs, representing an individual’s perceptions of his or her own and another’s obligations, defined as the duties or responsibilities one feels bound to perform” (Rousseau et al., 2018, p. 1081).

Anderson and Schalk (1998) argued that there is not a single definition of the components of a PC and that researchers must be clear about how they define the terms as well as who the PC concerns to produce a fruitful result. To ensure that other researchers can share the same understanding for the research terms in this study, it is important to explain how they are interpreted and defined in the theoretical frameworks used (Aspers, 2009). Therefore, throughout this study, the definitions and descriptions from Rousseau et al.’s (2018) framework will be used since they are tailored for modern society and adapted after the newest PC research.

2.1.2 Three directions in the current debate of PC research

To produce relevant knowledge, it is important to recognize and acknowledge the latest work within PC research. The later works have moved the research direction from exploring definition and conceptualization of the terms, to examining intertwined parties, contextualization, and the dynamic PC process. Below three favorable directions for future development will be described further (Bankins, Griep & Hansen, 2020).

Figure 1 - The three research directions in the current debate of PC research



The first direction (i) concerns looking beyond the two-person relationship in a PC and integrates all parts: human and non-human. This research field particularly stresses the need to consider PCs on all levels: individually, collectively, and corporately, as well as with computers and robotics who

can mimic natural humans, socially and emotionally (Bankins et al., 2020). To exemplify, Bankins and Formosa (2020) conducted a study that demonstrated that a PC could exist between a person and an AI-driven computer. Thus, demonstrating what effect the relationship could have on the enactment of reciprocity in PCs. Despite its relevance in the digitally disrupted world, it has arguably low explanatory value for this study as the focus solely lies on only one part of the PC - the employees' perspective.

The second direction (ii) concerns how new contextual components might affect perceived PCs and thus the disruption of it (Sherman, & Morley, 2020). For instance, Kraak, Lakshman, & Griep (2020) conducted a study to learn how the context of a military setting influences perceptions of PC breach and the development of violation feelings. The study showed that the motivation for choosing a job can decrease the negative attitude toward PC disruption. Moreover, it stresses the need to investigate the context of the employee to obtain a nuanced understanding for their behavior. However, as we are not interested in *solely* understanding the context of unstable circumstances, but instead the *throughout* process of changing circumstances, this research direction was not in focus in this study.

The third direction (iii) concerns adding dynamics to the theory of PC as a process. Whereas the earlier work within PC enhanced that an employer-employee relationship is dynamic and always moving, the later work has investigated thoroughly how employees' behaviors, thoughts, and feelings impact PC's over time (Solinger et al., 2016; Solinger, 2019; Yang, Griep & Vantilborgh, 2020). Yang et al. (2020) identified a poor comprehensive understanding of how the essential building blocks concerning perceptions of under- and over fulfillment change over time. Therefore, they conducted a study that observed how the employees perceived obligations and delivered inducements and found that the two were correlated in a dynamic system. Given that this theoretical direction emphasizes the dynamic processes of PCs, it is of high explanatory power for assessing how employees perceive a change in circumstances. Therefore, this theoretical direction within the PC framework will lay the foundation for the study.

2.1.3 Theoretical Gap

The above review of past research leads to identifying three different directions, in which this study focuses on the direction of adding dynamics to the theory of PC as a process. In terms of the dynamic phase model of PC processes (Rousseau et al., 2018), it remains unclear what role the dynamics of different circumstances plays in how the process unfolds. For instance, the theory suggest that employers can make up for when employees experience disruption to make them transition back to maintenance, however it remains unclear what happens when the employer cannot. Here, the theoretical gap is based on adding depth to the understanding of how individuals transition through the different phases if circumstances would change and cause worse working conditions. Especially if these working conditions were significantly different from their expectations when entering the organizations. Rousseau et al. (2018) emphasize the role of external factors yet does not explain how the dynamic process of PCs is affected by a change from stable

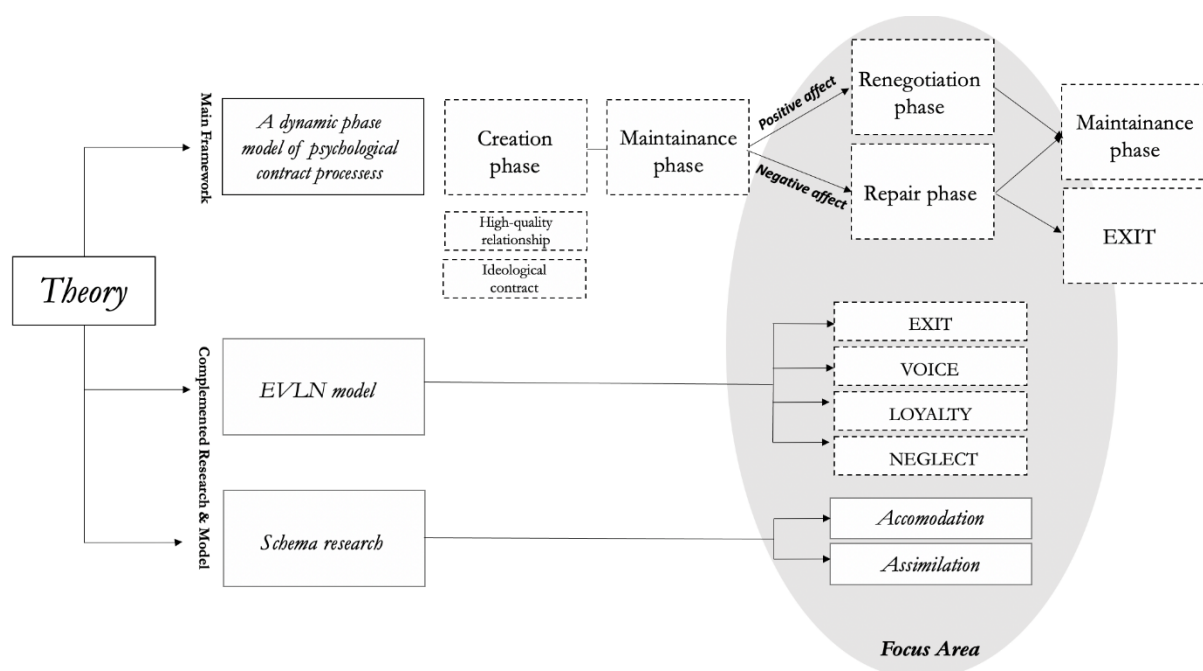
to unstable circumstances. Thereby, it would be of interest to learn how a change of going from stable to unstable circumstances affect the dynamic process of PC (Rousseau et al., 2018). The theoretical gap directly relates to the development of the RQ, delimitations, the study design and the data analysis, all of which are further discussed in the method section.

2.2 The main theoretical framework of the study

2.2.1 Choice of theoretical framework

The earlier work within PC has arguably low explanatory power for this study as it is not akin to solely learning if a PC is disrupted or not and treat the disruption as a discrete event (Bankins, 2015; Solinger et al., 2016). Instead, we are interested in the process overarching the different phases and thereby the dynamic phase model of PC processes offers a higher explanatory power (Rousseau et al, 2018). Beyond the obvious core of this study, the framework is also particularly relevant to capture and understand employees' very informal and complex character traits at start-ups (Griep et al., 2019). As cognitive schema is an essential part of the PC definition, Piaget's schema research (1936; 1983) will be used for clarification and deeper description of schemas. Moreover, the theory will be complemented with the EVLN (*Exit, Voice, Loyalty and Neglect*) model as it acknowledges the specific drivers of the PC evaluation when circumstances change. The frameworks used in this thesis will be presented and explained below.

Figure 2 - Outline of theoretical framework used in the study



2.2.2 A Dynamic Phase Model of Psychological Contract Processes

The dynamic phase model of PC processes is an advancement of Rousseau's earlier work which suggests that employees cycle through different distinct phases in their relationships with their employer. PCs are fundamentally dynamic in nature as the different phases change individuals' perceptions regarding conditions that can be expected, and which investments should be done to obtain desired outcomes. When conceptualizing these changes, Rousseau et al. (2018) differs between four phases (i) Creation, (ii) Maintenance, (iii) Re-negotiation and (iv) Repair and further defines interphase and intraphase processes to explain dynamics in PCs over time.

Rousseau et al. (2018) adds a temporal perspective to existing theory by stressing the value of using *self-regulation theory* (Badura, 1991). Thereby, suggesting an enhanced importance of cognitive aspects to disruptions of PCs, such as positive and negative affect. They therefore stress how the individual engages in efforts to reduce or manage unfulfilled obligations. Bandura (1991) defines self-regulation as "*the sociocognitive processes of self-influence upon cognitions and behavior*". It focuses on how goals, speed of reaching them, and previous experiences affect the individual's cognitions, e.g., thoughts and feelings toward obligations, thus adding a goal-based paradigm to explain PCs.

The research of self-regulation is a mixture of a person's goals and the speed of feedback regarding what progress they have done in their different efforts over time (Lord, Diefendorff, Schmidt, & Hall, 2010). Through the two self-regulation mechanisms it is possible for an individual to detect and distinguish between a standard (what is seen as reasonable or a goal) and an environmental cue (the progress that is happening right now) (Carver & Scheier, 1990; Chang, Johnson & Lord, 2009). For example, when looking at discrepancies in a person's goals, the employee compares obtained progress relative to their goal or what is standard. While looking at the velocity to receive any type of feedback, employees compare the speed of progress now to the desired speed of goal attainment (Carver & Scheier, 1990; Lawrence, Carver & Scheier, 2002; Chang et al., 2009). Furthermore, the theory explains that reaching progress slower than expected creates pessimism and negative affect, and faster progress does the opposite (Rosen et al., 2009; Johnson, Howe & Chang, 2013; Lawrence et al., 2002).

Organizational cues that support goal attainment, scores higher in likelihood to be noticed than goal-irrelevant cues (Rousseau et al., 2018). Therefore, employees will most likely not incorporate the irrelevant cues as they are perceived to be indifferent for the ability to attain their goal. Furthermore, cues that directly interfere with the chances of attaining a goal induce negative affect and the employee could leave the organization, whereas the opposite occurs when cues are goal-attained (e.g., Fiske & Taylor, 1991; Forgas & George, 2001).

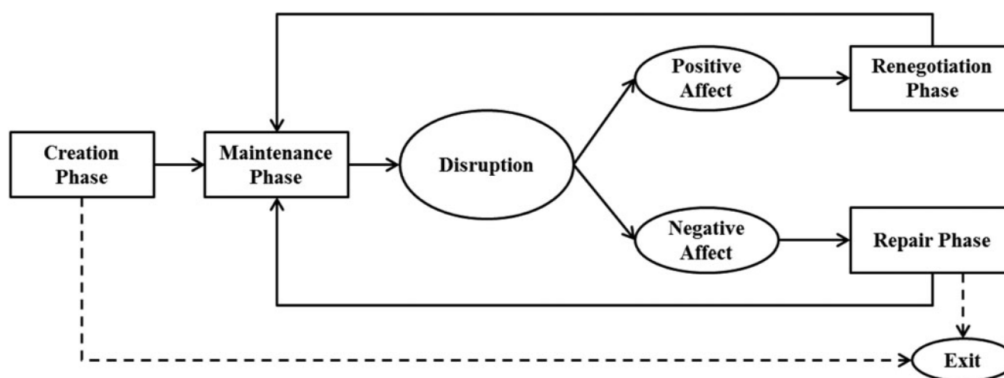
2.2.2.1 Difference between obligations, promises and expectations

The three different kinds of beliefs that are brought up in PC research are *obligations*, *promises*, and *expectations*. All three of them reflect an employees' view on the future and what could happen as a standard to all other outcomes. While early versions of PCs focused on the beliefs regarding mutual

expectations in the relationship, Rousseau et al. (2018) argues that obligations are the essence when creating a PC. Researchers have seen that promises and expectations can both create obligations, which in turn guides behavior and feelings (e.g., Roehling, 2008; Rousseau, 2001; Rubin & Brown, 1975). To exemplify, the employee could perceive that their employer is expected to do certain tasks because of norms or because the employer has previously promised to do so and therefore has an obligation to go through with it. As opposed to that, an employee's perception of employer obligations might not result in a promise and therefore creating ambiguity concerning what could disrupt the PC due to unfulfilled obligations (Rousseau et al., 2018).

When no promises are made, PC's can be created based on general expectations about the future, often inherited from preexisting beliefs about employment relationships (Louis, 1980). Expectations can according to Olson, Roese & Zanna (1996) be divided into two categories that are important to consider for understanding how obligations and expectations are interrelated. *Probabilistic expectations* refer to the employee's perception that future events have a small chance to occur and can be categorized as an expectation - but not necessarily an obligation. *Normative expectations* refer to events that are reasonable to expect based on a certain standard and therefore reasonable to perceive as an employer obligation. Rousseau et al. (2018) further states that promises are one source of perceived obligations but that it is also influenced by normative expectations, particularly those derived from exogenous sources outside the organization, such as societal norms (Olson et al., 1996).

Figure 3 - A Dynamic Phase Model of Psychological Contract Processes



(Rousseau et al., 2018, p. 1081)

2.2.2.2 The creation phase

According to Rousseau et al. (2018), the creation of a PC refers to the initial contact between the employer and the employee. They define an employer as a person who is acting on behalf of the company, i.e. principal or agent, and can thus create a PC for their matter. In established organizations this can cause a problem in terms of misunderstanding of who is representing the employers' beliefs and if both sides are actually aware of the terms in the contract (Achtzehn, 2015 p.67). However, in start-ups, which almost always is of smaller sizes, this should arguably be less

of a problem. The creation phase usually occurs in the first months at the new job when the employee tries to concretize what the organization owes them and what they owe in return. In this phase, the self-regulatory process focuses on making sense of whether and how goals are attained (Rousseau et al., 2018). The two parts also include information they already know for instance, past experiences, societal- and industrial norms, and other factors that collectively generate beliefs regarding the exchange (De Vos, De Stobbeleir, & Meganck, 2009).

2.2.2.3 The maintenance phase

Rousseau et al. (2018) introduces maintenance phase as a broader concept of PCF which aims to capture the process following fulfilled obligations, instead of a snapshot. Employees transition from creation to maintenance phase when information is understood and accepted. The maintenance phase is characterized by fulfilment of obligations and entering what is referred to as “status quo”, where an on-going exchange occurs with limited cognitive effort between the employer and the employee (Rousseau et al., 2018). The sooner the organization generates positive affect by signaling that the employee is progressing toward goal attainment, the quicker does the contract enter the maintenance phase. An employee normally stays in this phase until a *disruption* occurs. Rousseau et al. (2018) highlights that even though the contract is stable, it is not static and employees might change their beliefs about their PC effortlessly if they: (i) Change personal goals (i.e., drift in Rousseau, 1995) by remembering past promissory cues that fit more in line with their own personal goals. (ii) Learn about new organizational information and environmental cues which could effortlessly be incorporated into the PC if discrepancies are small. (iii) Perceive the employer to offer more goal-consistent inducements that were not offered in the beginning (Rousseau et al., 2018).

2.2.2.4 Disruption of maintenance phase

Rousseau et al. (2018) introduced disruption as a broader concept of PCB and instead suggests that it can be both positive and negative, leading to different actions and behaviors afterwards. Disruption, per definition, is “*to cause something to be unable to continue in the normal way; to interrupt the normal course or activity*” (Beal & Ghandour, 2011). The term refers to a strong affective event as a result of a large discrepancy (Fiedler, 2000; Rosen et al., 2009). These strong affective events push the contract to either enter a *re-negotiation* or *repair* phase for PC revision, depending on if the condition matches the anticipated ones or not (Rousseau et al., 2018). If the disruption is not in line with the employee’s goals and the perceived speed of promise fulfilment was slower than expected, it will create a negative affect (e.g., frustration or anger). To exemplify, this can be an employee who has been promised to gain knowledge in a specific computer program within two years after start, but instead received it after three. Thereby, the obligation is perceived to be fulfilled too slowly and not consistent with the goal-inducements promised in the beginning. As a result, the individual might transition to repair (Rousseau et al, 2018).

The way that the positive and negative discrepancies are handled by the employee can be differentiated by two avenues depending on employees' affective reactions to perceived discrepancies. As a response to a disruption, an *active change* of the PC must be performed by the employee. An active change occurs when the employee has perceived a major discrepancy that creates strong affective reactions for the employee. Therefore, this type of change requires a more significant cognitive effort. A *passive change*, on the other hand, is the result of a minor discrepancy that is not noteworthy for the employee. In contrast to active, this type of change requires low cognitive effort to recognize and incorporate the new information into the PC. Once an understanding for the type of change that occurred it can more easily be interpreted if a PC was disrupted (Rousseau et al, 2018).

2.2.2.5 The re-negotiation and repair phase

In case of a strong positive affect (i.e. experiencing a disruption with more goal-consistent changes) the employees enter the renegotiation phase. In this phase, the employee starts renewing and renegotiating the terms and obligations in the contract to improve status quo. When an employee experiences a disruption that is not in line with their personal goals and beyond their own capacity to incorporate new terms into their existing PC, they transition into the repair phase (Rousseau et al., 2018). This phase encompasses high cognitive effort by for example being alert to differences between employer obligations and inducements, as well as the quality of the interactions with employees (Rousseau et al., 2018). The employee is likely to question or even scrutinize environmental cues and loses trust in the existing PC (Forgas & George, 2001). The transition back to a maintenance phase depends on the employer's responsiveness and ability to reduce negative affect and reestablish a goal-consistent PC for the employee. To make this happen, the employer can for instance make promises that usually act as a compensation or substitution for the PC disruption (Tomprou, Rousseau & Hansen, 2015). Similar to the creation-phase, only promissory cues from the employer that are goal-consistent with the employee will be accepted and thus reduce negative affect (Rousseau et al., 2018).

2.2.3 The influence of different PC attributes

Given that past research has demonstrated that employees who work at start-ups are attracted by specific attributes such as close relationships and social impact (Danckler & Hjelmstedt, 2019), they are important to consider to gain a more context-specific understanding of Rousseau et al.'s (2018) framework. Although the framework does not discuss these two attributes, past research within the PC field has.

First, employees can be influenced due to their ambition to positively impact others' life quality or contribute to the success of the company's mission (Grant & Wade-Benzoni, 2009). Traditionally, there has been a distinction between the employer's obligations which has been referred to as transactional and relational contracts (Rousseau, 1990), yet recent research suggests there is a third type of contract being a fair blend of both mentioned above - an *ideological contract* (Taylor & Tekleab, 2004). To define it further, the ideological contract is perceived as "*credible commitments to*

pursue a valued cause or principle (not limited to self-interest) that are implicitly exchanged at the basis of the individual organization" (Thompson & Bunderson, 2003, p. 574). Building on the idea of an ideological contract, Bal and Vink (2011) further concluded that organizations could enhance employee motivation by providing opportunities for employees to meet their moral and societal goals in their work. In terms of disruption, employees will react with corrective behaviors, putting all their effort toward solving the situation due to personal values held (Thompson & Bunderson, 2003).

Second, Coyle-Shapiro & Conway (2005), points out that good perceived *organizational support* increases the chance of a successful recovery of the post PCB commitment. Akkermans, De Jong, de Jong, and Bal (2019) shares the same understanding and argues that *a high-quality relationship* within the team makes employees feel more obliged to fulfill the PC's obligations. Beyond that, Dulac, Coyle-Shapiro, Henderson and Wayne (2008) found that employees who have high-quality relationships with others, are more likely to evaluate PCB in a more favorable light, such as emotionally responding less intensively to the PCB. To understand why employees, perceive the counterpart in a more positive light even after PCB, Morrison and Robinson (1997) concludes that it is based on cognitive biases toward the other part.

2.3 The complementary research and theoretical model

2.3.1 The role of schema research in PC theory

Given Rousseau et al.'s (2018) definition of a PC as a cognitive schema they will be used interchangeably in this study. Rousseau (2001) defines a schema as "*the cognitive organization or mental model of conceptually related elements*". She further separates the foundation of elements in two parts. Some elements of a schema could be shared by people who work in the same occupation or setting. Other elements might be individual and tied to past experiences or agreements with the employer. Thereby, schemas could be used as a cognitive framework to explain how employees organize and interpret new information. Beyond this, schemas could be used to explain if the elements of the PC are idiosyncratic or shared with others. In this study, information is oriented toward the schema emerging during the COVID-19 pandemic and its impact on elements for individuals at start-ups and society as a whole.

PC research has previously been criticized for being limited in terms of bringing schemas into the discussion (Taylor & Tekleab, 2004). Although Rousseau et al. (2018) addresses a PC as a cognitive schema to a great extent in her later work, there is ambiguity concerning what theoretical knowledge from her earlier work is still relevant for the dynamic in PC processes. Not least, the new model differs from Rousseau's earlier work (e.g., 2001) e.g., in terms of self-regulation mechanisms such as goals, affect and velocity feedback (Rousseau et al., 2018). Therefore, it is of value to complement the dynamic phase model of PC processes further with schema research, to enhance the understanding for switching schemas during employment.

Despite Piaget's (1936) focus on understanding how children make sense of the world, the same conceptualizations for schema have been widely used in various fields, most evidently to understand affective and behavioral responses (Walsh et al., 1995). At the roots of cognitive development, Piaget (1936; 1983) differs between *assimilation* and *accommodation* when discussing a change in schemas. Assimilation refers to when humans adapt to new information and fitting it into existing schemas. Accommodation refers to taking in new information in the environment and altering pre-existing schemas as the current knowledge does not explain the information adequately. Both assimilation and accommodation are necessary for humans, as one cannot assimilate something that has not yet been accommodated. Finally, it is worth clarifying that schemas are interrelated - which means that the same information can *activate* several different schemas if they all are associated with the information. If not, the schema being used depends on which one is activated based on emotions and the accessibility of the different schemas (Kleider, Pezdek, Goldinger, & Kirk, 2008). Fiske and Taylor (1991) have also added to the research field by stating that schemas are difficult to change as humans are resistant to changing their beliefs of the world. Furthermore, Taylor and Crocker (1981) suggested that schemas are also beneficial to discuss during change as they provide templates for problem-solving and generate anticipations of the future, goal setting, and goal execution.

2.3.2 EVLN model and reaction to change

The EVLN model (Exit, Voice, Loyalty and Neglect) (Hagedoorn et al., 1999) has been recognized as a useful complement and analytical tool to understand the reactions and behaviors to PC changes (Rousseau, 1995; Taylor & Tekleab, 2004; Zhao, Wayne, Glibkowski & Bravo, 2007). Given the scope of this study and the focus on how employees make sense of emerged unexpected working terms as a result of changing circumstances, the EVLN model offers a framework which theoretically explains their associated behavior when making sense of a disruption. Moreover, as this thesis focuses on employees' behaviors as a result of disruption being enforced externally, instead of actions by the employer, this becomes especially interesting to understand when providing a solid explanation of the dynamic process of PCs. Thereby, as the reactions and behaviors are crucial in this study, the EVLN is of theoretical importance in the field, which the framework by Rousseau et al. (2018) does not adequately cover.

Initially, the framework was used to understand the impact of a PCB, and its associated frustration and disenchantment. However, new research has pointed out that the framework can also make sense of PCF (Akhtar, Bal & Long, 2016). The EVLN model consists of labeling four types of responses to changing conditions in the contract that employees may exhibit (Hagedoorn et al., 1999). (i) Leaving the organization (*Exit*) refers to turnover intention, searching for a new job or leaving the job. (ii) Speaking up (*Voice*) refers to the behavior of using communication to solve problems with colleagues, managers, and external partners or by suggesting and promoting solutions. (iii) Patiently and confidently hope for a better future (*Loyalty*) is usually positioned between exit and voice and concerns trusting the manager's ability to solve current issues. (iv) Being lax and disregardful (*Neglect*) in work when something did not turn out as expected. In a

start-up context, exit may imply leaving the organization for a different company, voice may involve actions such as speaking up to one's manager, investors or colleagues, loyalty may refer to portraying the company in a more favorable light to outsiders and neglect may refer to withdrawal behaviors which could mean slacking, not showing up in time or leaving the job early. Turnley and Feldman (1999), argues that when a perceived PCB has occurred the behavior closest to the employee to engage in, is exit and loyalty rather than neglect and voice. This is due to that voice and neglect are riskier behaviors to engage in as they are more visible to others.

2.4 Criticism against the theories used in the study

It is important to acknowledge the limitations of the theories used in study, how we have managed them, and how it is likely to impact our study.

First, the earlier theory of PCs provides a simple framework for a complex world, which has resulted in criticism of the definitions' ambiguity. Several authors remark that the theory lacks a proper analytical essence, and thereby its explanatory power (Cullinane & Dundon, 2006; Conway & Briner, 2012). To justify this, we have used the Rousseau et al. (2018) framework, which has broadened the PC's explanatory power compared to earlier works. Additionally, Rousseau et al.'s (2018) framework with schema research (Piaget, 1936: 1983: Rousseau, 2001) and the EVLN model (Hagedoorn et al., 1999), to validate the theoretical statements and to ensure a deeper understanding of the employees' perceptions and behaviors in the dynamic PC processes.

Second, PC has been criticized for its construct validity and coherence (Montes & Zweig, 2009). Furthermore, Boxall and Purcell (2003) argue that if the contract is based on psychology, it cannot be contractual. However, given the successful usage of applying PC theory and the psychological beliefs to a contractual setting in past research, we still consider the theory to contribute with valuable insights to our empirics. Worth stressing is also that Rousseau et al.'s dynamic phase model of the PC (2018), is relatively new and thereby lacks proper validation. However, given its successful usage since its publication (e.g., Van der Schaft, Lub, Van Der Heijden & Solinger, 2020; Solinger, 2019; Yang et al., 2020), this should not be considered as an issue.

Third, the EVLN model has received criticism for being very limited in what reactions and behaviors are possible following a PCB and therefore not being always adequate in explaining the behaviors resulting from a PCB alone (Dowding, John & Rubenson, 2012). The theory has thereby, similar to most theoretical frameworks trying to explain reality, been criticized for its simplicity. Yet, as a complementary framework in this study, it is valuable since it covers the main reactions this thesis is searching for when trying to understand how the dynamic process of PCs evolves. The scope of this study is not to go deeper into the reactions specifically but rather pinpoint what kind of reactions that occur to make sense of the behavior that follows when employees experience new working terms different to their expectations. Thus, to gain an understanding for if the stated dynamic process of PCs by Rousseau et al. (2018) adequately resembles the dynamic process of PCs resulting from a change going from stable to unstable circumstances.

3 Methodology

3.1 Scientific Research Approach

According to social constructivists, a psychological phenomenon is formed mostly or solely of prevailing and emergent socio-cultural forms and can only be made sense of in this context (Berger & Luckman, 1967). Cognitive constructivists instead acknowledge the individual's role in learning and development of a psychological phenomenon and suggest a more atomistic view of its change (Mahoney, 1990). We perceive the world as a combination of both: we recognize the free will of the individual, yet believe that humans are a product of the physical and socio-cultural world they are born into, and thereby could act in a certain way because of past experience or external drivers, e.g., like "society expects them to" (Martin & Sugerman, 1996). This study acknowledges that in case of a lack of understanding for a phenomenon, individuals are likely to rely on socially constructed norms in conjunction to make sense of the cognitive schema. Therefore, viewing the world as something to be interpreted we naturally seek to understand the process of the dynamics in PCs for employees at a start-up, rather than testing it.

In terms of past PC research, a majority takes on a positivistic approach that can contribute to a generalized understanding for the theory. For example, by connecting different mediators to PCB or PCF (e.g., Bal et al., 2019; Turnley & Feldman, 1999). However, as we wanted to understand the employee's perception of a process, an interpretive study approach was appropriate. The same paradigm is further consistent with the literary context of for instance; (i) the literature on employment relations in start-ups (ii) the literature on entrepreneurship (iii) the literature on PCs (Archtzen, 2015) and lastly (iv) the literature on SME's during the COVID-19 pandemic (Tsilika, Kakouris, Apostolopoulos & Dermatis, 2020). We further adopted a qualitative research method as it is believed to be central to interpretive research (Archzen, 2015). Beyond that, Rousseau et al. (2018) and Morrison and Robinson (1997) suggest that qualitative studies should be applied to future PC research as they can help to identify patterns of change characteristics in the PC, which would provide value given this study's focus. A case study design was used as it is a valuable qualitative research tool (Bryman & Bell, 2015) and enabled the study to compare and contrast the employees' perceptions regarding the development of their PC and further study the phenomenon across start-ups.

Starting in the theoretical framework, our objective has not been to develop the theory of PC, but rather to extend it. To clarify, Handfield and Melnyk (1998) define an extension of theory as "*applying the theory in different environments to assess the extent to which the results and outcomes are still realized*". Using a case study design to extend theory contributes with value to a specific theoretical perspective and further define the original theory's limitations (Halkias & Neubert, 2020).

Since our primary concern has been to discover new things, e.g., new connections or explanations in theory during changes in circumstances, we have worked in an abductive way similar to what Dubois and Gadde suggest (2002). Through an iterative manner we started in the theoretical gap and thereafter let empirics guide us to more profound theoretical areas and narrow down the research question.

3.2 Preparatory work

3.2.1 Previous study and defining research area

The foundation of the theoretical problematization was based on a previous study on employees' perception of start-ups' attractiveness during stable circumstances. During this study, we realized that the theory of PC was a proficient conceptual framework to explain employees' perception of start-ups and recognized the need for further research in the field during unstable circumstances (Danckler & Hjelmstedt, 2019). Worth clarifying is that this study does not intend to follow up on the stated research nor to compare the findings in this study with the previous one. Instead, it gave us an indication that the stable circumstances of a booming economy, which occurred during the study's conduction in 2019, could have influenced the individual's perception of a start-up given its characteristics (see section 1). The identified interest resulted in an extensive literature review to understand what knowledge had been developed and what areas had received attention in the theoretical field. Through our previous study, we thereby gained clarity to the feasibility of our current study.

3.2.2 Pilot Interviews

Following Kvale's criteria for being familiar with the interview's focus (1996), we performed four pilot interviews before conducting the main study based on three reasons. (i) To validate the idea of perceived instability in the surrounding. (ii) Ensure the interview guide had the rich and detailed descriptions necessary to conduct a high-quality interview (iii) Make sure interviews could be carried out digitally without any trouble and that the questions were straightforward. The interview guide was adapted after the interviewees' understanding of the questions, to ensure rich answers (Bryman & Bell, 2015). As previous research has concluded that men are more risk-tolerant than women (Jianakoplos & Bernasek, 1998), the four interviews had an equal division between the two genders (according to their identification) to mitigate risk-oriented biases. After that, smaller changes in the interview guide's vocabulary were changed to use more casual and less theory-driven words, as it caused confusion or difficulty in interpreting the questions. However, as the pilot interviews' answers were still considered to be of high-quality, they were included in the study.

3.3 Main Study

3.3.1 Sampling and Sample

After reviewing various networks, we made a selection of some of the most noted start-ups in the Stockholm area (see Appendix 1). We contacted the interviewees by sending an email to the company, asking for redirection to the employees who corresponded with specific requirements (see Appendix 2). Due to the economic conditions and layoffs occurring in Sweden during the summer of 2020, we questioned if the sample we obtained was somewhat biased as perhaps only start-ups that had managed the unstable circumstances well could participate. To solve this, we also contacted employees at the companies we wanted to interview directly instead of going via the company contact email on their website. A total of 80 companies were contacted, of which 20 of them accepted and 25 people from different industries and positions were interviewed (see Appendix 3). For reasons of anonymity, as well as GDPR, all the participants' and companies' names have been removed in this study.

After 16 interviews, an empirical saturation from a diverse group of respondents was obtained to identify empirical patterns, concepts, similarities and deviations. Thereby, theory and empirics could make sense of each other. Subsequently, another nine interviews were conducted to validate the result, resulting in 25 interviews between 30-60 minutes in length. We thereafter concluded that further interviews would not have contributed to an increased understanding of the topic. For GDPR reasons, all respondents had to sign a consent that demonstrated approval for using their quotes in this study.

3.3.2 Interview guide

3.3.2.1 Theoretical field and focus

Once the theoretical research field of our interest was established, we conducted an extensive literature review within PC research to understand the current discussions, out of which we decided to narrow it down to the dynamic process of PCs. Given the comprehensiveness of the process and our ambition to gain depth rather than being holistic, we decided to focus on the maintenance phase and the possible transition associated with a change of circumstances. We thereby made the judgement that researching other parts to the same extent, for instance the creation phase which occurred during stable circumstances, was of low value. Due to the gravity of self-regulation within Rousseau et al.'s (2018) theory and the focus on an individual's feelings and reactions following a disruption from maintenance, we identified the need for the EVLN model (Hagedoorn et al., 1999). Especially, as the disruption we are keen to investigate is caused by a force outside the control of the employer.

In addition to theory-related topics, we included open questions to avoid being blindsided by our own beliefs and thoughts about the different parts of the theories used in the study. Instead, we let the respondents point the direction within the theoretical field (Bryman & Bell, 2015). Following recommendations from Bryman and Bell (2015, chap 18): the interview consisted of an introduction where the interviewee received the opportunity to talk about themselves for building trust and discuss their working conditions during stable circumstances, a middle section about possible changes that occurred due to the change in circumstances, and a conclusion where perceptual (including sensitive) questions were asked (see Appendix 4). The latter included personal experiences and long-term objectives about their current employment deal. Two versions of the interview guide were created, one in English and one in Swedish, as comfortability among the participants was highly important, and most respondents were Swedish.

3.3.3 Data Collection

3.3.3.1 Retrospective approach

Since the objective was to understand the process of the PC, from when the circumstances changed until the day of data collection, we used a retrospective approach. The same approach has been proven to be of value when studying impacts on the dynamic process of PCs (e.g., Van Der Schaft et al., 2020). It further allowed us to use the perceived PC in a stable environment as a reference point of the process during changing circumstances. Thereby putting the two circumstances in relation to each other. To ensure that the empirics could generate value for the research question, it was also highly important that the employees remembered their past perceptions and beliefs, as argued for in the delimitations.

3.3.3.2 Interview Design

Similar to studies conducted on the perception of changing working conditions during the Global Financial Crisis (Kerasidou, Kingori & Legido-Quigley, 2016), we use in-depth interviews as they have shown to allow the respondents to elaborate on cues which shape the contract and thereby gain a deeper understanding of their thoughts. We adopted a semi-structured interview process to enable the possibility to dig deep and ask “why” when interesting topics came up or to pinpoint why some employees acted, reacted, or felt the way they did during the process of changed circumstances. By leaving room for error and not planning everything in detail, we allowed ourselves to reach the objective of being exposed to and surprised by new knowledge. To make sure we could compare the interviews despite not being structured, we focused on doing the interviews *as semi-structured as possible*. Meaning, to constantly ask the respondents to give examples, and ask interpreting and specifying questions (Bryman & Bell, 2015).

Following our research approach, we made a minor examination of the working context for the respondents to understand how it could affect their views on expressions and concepts. In this study it was of high value to do a context analysis (Pate, Martin & McGoldrick, 2003) since the effects from the pandemic could differ depending on industry. We recorded the interviews after

permission from the respondents, which made it easier to concentrate on both what was said but also how they said it. Further, it enabled us to follow up on interesting points, careful listening and probing when further description was needed (Kvale, 1996; Bryman & Bell, 2015).

The data collection started already at the beginning of summer 2020 to ensure a representative view of how employees' circumstances unfolded *during* the pandemic's emergence, rather than *after* it was over. Given the time, we had to consider and practice social distancing due to the high risk for the contagion of COVID-19. Therefore, we conducted all interviews online using Zoom. Bryman and Bell (2015) argue that researchers do not obtain the same deep understanding of the respondent's overall expression if the interviews are not conducted physically, which must be considered. However, as we conducted all interviews with cameras, we claim that the interpretation of the respondents' expressions is not as distant as they would have been over the phone, i.e., audio-only.

3.3.4 Data Processing

Parallel with collecting the empirical data, the interviews were transcribed on an ongoing basis to determine if any question needed to be further clarified which was not necessary. The Swedish quotes that were selected for analysis were later translated into English and checked by another researcher on the translation's accuracy (Hambleton, 1993). We made minor adjustments to quotes in the empirics to increase the reader's understanding (Bryman & Bell, 2015).

Inspired by Braun and Clarke's (2006) thematic analysis, the empirics was structured by identifying lines of convergence in the collected data and organizing it according to these patterns. Due to the nature of an abductive method approach, we applied a combination of the theoretical and inductive thematic analysis method proposed by Braun and Clarke (2006). Timeline and process-wise, we knew from a broad sense where the different empirical phases would fit theoretically immediately. For instance, that creation-phase occurred in stable circumstances and that the respondents had *at least* transitioned to the maintenance phase when the circumstances changed. Therefore, we first identified categories based on themes that emerged in the empirics. This approach was followed by a categorization of the themes that were connected, grouped, and used to narrow down the interesting part of the theoretical framework. During this part of the analysis, we aimed to identify the unintended effects in the dynamic PC process that are not evident in the theory. Thus, connecting the evidence to scientific literature that could explain it.

Since PC is regarded as perceptual and socially constructed (Rousseau, 1989), we considered the philosophical positioning essential to consider when complementing the framework. Therefore, we used cognitive schema research, which is considered a prominent part of PCs to explain and address the evidence in empirics more adequately. In our case, the understanding for accommodation was especially important to explain the employees' perception of a temporary PC as theory virtually only discussed the use and assimilation of *one* cognitive schema and not the

accommodation of *an additional one* during the dynamic process of a PC. In addition, we also noticed that the behavior associated with the temporary PC was to some extent similar to the one in the repair phase. Therefore, the EVLN model as well as the concept of an ideological contract and high-quality relationships was used to provide a deeper understanding for the theoretical framework.

3.4 Data Quality

To ensure the quality of the data collection and analytical process were evaluated trustworthy, we have significantly stressed the importance of ensuring that the five different criteria for evaluating qualitative research are fulfilled (Bryman & Bell, 2015).

3.4.1 Credibility

Since we aimed for new insights in an existing theoretical framework, following our interpretive abductive research approach, credibility was especially important (Eisenhardt, 1989). It comes down to how well the study resembles the collected empirical material to ensure that a valid conclusion has been made. The aim has been to minimize failure of credibility along the way by for example stressing transparency in how and why certain decisions and assumptions were made, conducting the study on a diverse set of people, and allowing the respondents to *validate* their quotes (Bryman & Bell, 2015). Despite a difficulty in stating the exact extent of credibility, careful considerations have been made.

3.4.2 Parsimony

Given our ambition for theory extension, we have strived to meet the criteria of being parsimonious to the greatest extent. Pfeffer (1982) argues that researchers should aim to make their studies parsimonious, i.e., providing argument and concept with simplicity and clarity to make them easy to interpret and understand. In this study, we have aimed to obtain the parsimony criteria by continuously working iteratively between the empirics, theory, and analysis to ensure only the most relevant knowledge is brought up. Throughout the whole study, we have carefully chosen definitions that are easy to interpret for the reader and clearly stated as well as argued for them. Additionally, by explaining our findings of a temporary PC as one comprehensive concept, rather than several different variables, avoids confusion.

3.4.3 Transferability

Qualitative research does not tend to aim for generalization to other groups of people or contexts but simply to describe a certain phenomenon at a given time (Easterby-Smith, Lyles & Tsang (2008). As we do not aim for theory development, but rather theory extension (Handfield & Melnyk, 1998), transferability has not been considered as much as other criteria in data quality. Unavoidably, each start-up has a different environment and culture, and further manages the unstable circumstances differently: the results could most likely not be transferred to another

context. In the methodology, each step has been thoroughly described and given account for. Yet, given the research methodologies, we estimate the transferability to be rather low in this study.

3.4.4 Dependability

All interviews were conducted online and may have impacted the respondents' answers, which has been considered (Bryman & Bell, 2015, pp. 484-486). In individual cases, upon request, the interview guide's overall features were explained, which could have influenced the employees' response. It could also be criticized what empirical certainty existed after twenty-five interviews as respondents from additional industries would have provided more diversity in the answers. On the flip side, since the process has been regularly monitored and reviewed by a supervisor and fellow researchers, we consider the dependability strengthened. As mentioned for the transferability, we have strived to transparently describe the research question, procedure, and execution of this study, strengthening the dependability.

3.4.5 Confirmability and a few words about reflexivity

Inescapably, the quality of confirmability is also to be criticized in this study. To show that we have acted in "good faith", we want to stress the application of reflexivity as it is of great importance in all kinds of scientific activity, not least in qualitative research (Bryman & Bell, 2015, p. 719). As researchers, we need to be aware of the active roles we play, both in the development and interpretation of data and the subsequent analysis of them. Therefore, we discussed before conducting this research what preexisting knowledge and opinions we had that might have affected this process, e.g., interest in start-ups, past research projects, and existing knowledge about the consequences of the COVID-19 pandemic in Sweden. To ensure reflexivity throughout the study, we did not only consider our roles before conducting the research, but we have also continuously evaluated if we interpreted the theory, empirics, and results correctly. With that said, to what extent our roles as researchers have interfered and influenced the result is difficult to determine.

3.4.6 Ethical consideration and COVID-19

Since a vast amount of the interviews were made in Swedish and later translated to English, some ethical considerations must be made from an interpretation perspective. According to Xian (2008), the researcher must make sense of and understand the material before translating it. Quotes chosen for analysis were translated after being interpreted and understood (Czarniawska, 2004, p. 95) to decrease the risk of cultural meaning getting lost in translation. Some misrepresentations did occur after direct translation, whereas some quotes had to be refined to maintain the original meaning. Unavoidably, as the study was conducted during the spread of COVID-19 in Sweden, ethical considerations associated with the disease had to be considered. Before the interview started, we asked if the respondent felt comfortable talking about the pandemic and what it has brought with

it. Additionally, we stressed the importance of skipping questions if the respondent felt uncomfortable or nervous. Even if no question was asked about the virus itself, but rather the pandemic's impact on businesses, it could be considered sensitive.

3.5 Method criticism

Despite a rigorous research design, generous data sample, and sufficient data analysis, it should be acknowledged that limitations exist and must be considered.

First, by taking a stand in a dualism between social and cognitive constructivism, criticism can arguably be directed toward whether the two views of the world are not contradictory. In such case, relying on both lenses would be regarded as poor and misguided. However, we argue that by learning about the limitations of both ways, the richer we get in interpreting data and the greater the possibility of acquiring knowledge that builds on both ontological successes (Martin and Sugarman, 1996).

Second, it is essential to consider that change is difficult to measure in general. The practical term “change” is not linear and despite that the study researches the same phenomenon, in our case the COVID-19 pandemic, the corresponding change could have been initiated in different directions and rates within the start-ups (Preacher, Wichman, MacCallum, & Briggs, 2008), which can make it arguably challenging to compare them and find a conclusion that resembles all respondents. Likewise, contextual approaches, including generational status (De Meuse, Bergmann, & Lester, 2001) and organizational tenure (Bal, De Cooman, & Mol, 2013) must be considered since they can affect the answers given (Rousseau et al., 2018). To consider this, we have raised the most mutual themes in the conclusion and aimed to display discrepancies when necessary.

Third, on the one hand, we could have done a longitudinal study with structured interviews and thereby capture change in several different occasions rather than on solely one. On the other hand, change can be monitored during periods, observable daily, or even once (Roe, 2008), meaning that there are multiple ways to conduct this research topic. Another difficulty is that some phenomena could appear to be relatively stable when measured over more extended periods but are highly unstable when assessed within short periods (Roe, 2008). As we wanted to gain a deeper understanding of a phenomenon that is yet limited in research and without any clear guidelines for research methods, it was preferable to collect the empirics on one occasion.

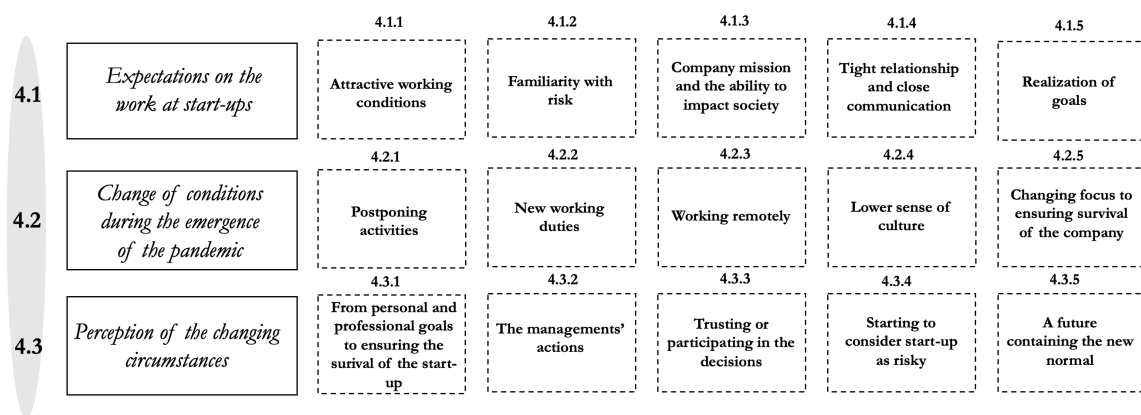
Fourth, it could be questioned if a theoretical extension has been obtained as it has only been conducted using qualitative interviews during one occasion. The theoretical extension would have been strengthened by being out in the field, such as during field research or participant observation. To further strengthen the conclusion, we could also have collected data from other sources, such as the managers, subordinates, or colleagues. By doing so, we would avoid the risk of method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) and thus received a more nuanced perception of the pandemic. However, this was not possible due to the scope of this study.

Fifth and finally, as the thematic analysis has been done on several different themes, a certain depth and complexity can be lost. Similarly, flexibility and lack of guidelines in the thematic analysis may have influenced how well it was performed (Braun & Clarke, 2006). If we had been more conservative with our data and not allowed the empirics to guide us into new theoretical insights, a different conclusion could have been made.

4 Empirical findings

In the following section, empirics will be presented in the same order as they emerged during the interviews and will be themed by the topics which arose. Due to the interpretive paradigm, which supports collaboration between the researcher and respondents, this empirical section will be designed to focus on the participants (Crabtree & Miller, 1999). We will further contribute with descriptions of the context and add depth to the empirics by showing clearer interpretations.

Figure 4 - Structure and themes in the empirics



4.1 Expectations on the work at start-ups

Section 4.1 focuses on how the employees perceived their work at a start-up and what specific characteristics that make start-ups unique. It also enhances some of the respondents' personal and professional goals and their beliefs in achieving them before the pandemic. Although the focus area in this study is to understand the employee's perception of a change from stable to unstable circumstances, it is important to consider the expectations on the work during stable circumstances to understand the reaction to the working terms which emerged during unstable circumstances.

4.1.1 Attractive working conditions

On the questions on what had made the employees to pursue a career at a start-up, all respondents stated that they were attracted by the same conditions. These characteristics were not only perceived as something that *could* occur but that *would* occur since start-ups were perceived as closely connected to its unique qualities. Thereby, the respondents expressed that they expected these characteristics to be fulfilled.

"I expected my employer to do his best to ensure a good work culture and a great place to work. It must be supported from the employer's perspective. I also expected to have a structured career and a

clear insight into how I can develop and what I can work toward. From my part, this is what motivates me.” (Participant 3)

Adding to [Participant 3]’s perspective on *support from the employer and culture*, [Participant 19] stressed that *the possibility to quickly gain influence and development opportunities* was something unique about start-ups - and thus crucial for the work.

“To me, it is of value to have influence which is something I absolutely expected to get here as it is a start-up. This is something I thought about a lot when I applied for jobs at established companies. There you kind of have to spend years to climb up the hierarchy as there are so many people doing the same things. I wanted something different, I wanted to be able to have impact and influence. I also wanted to have a saying on how much I work, how much I earn, and everything else that is essential at work. Furthermore, I expected the company to grow, to expand to new markets and thereby try new roles. These are all aspects that are otherwise swallowed by established organizations.” (Participant 19)

Besides having expectations based on start-up characteristics before joining the company, the respondents also stated that their manager set more tangible expectations once they began their employment. For instance, this could refer to *ownership in the start-up, an open-minded atmosphere*, and most distinctly - the *absence of formalized processes*. A rather articulated example of the latter characteristic was described by [Participant 14] below.

“The first thing that he [the manager] said was that “there is chaos in the company”. You should be ready to come in and know exactly how you want to do it and how you should work. He stressed that it was important to bring in people who are structured themselves and who really know what to do from the start instead of waiting for training or help all the time. He further stated that it is almost like joining the company as a self-employed person to understand the basic purpose and push it forward immediately. So, there were no direct processes established but more that you had to try most things to find your way.” (Participant 14)

4.1.2 Perceiving risk similar to established companies

On the question if there were any start-ups characteristics that were perceived as negative, the employee expressed that there was an associated risk with working for a start-up. However, what united the respondents was the perception of the risk as rather low and should be seen in relation to the one at established companies.

“There are lots of risks with smaller companies, but it actually is some with established companies as well. But yeah, for start-ups there is an evident risk in terms of work stress, negotiations and you have smaller margins - that's the risk I used to consider.” (Participant 23)

[Participant 19] further stated that any major risk was not top-of-mind when joining the start-up. Instead, that the main risk was associated with start-ups not being able to offer the same safety benefits as established companies could.

“I did not think about what would happen if everything crashed one day. I did not think of start-ups as risky. Honestly, I don’t think I even reflected on it when I started working here. The only risk I perceived was the pension and insurance, etc. Once you have considered those parts, and that looks good, it feels secure. I felt like there was a lot that was under control anyway.” (Participant 19)

4.1.3 Company mission and the ability to impact society

Some of the respondents expressed that the primary reason for joining a start-up was that the organization’s product or service matched the respondents’ ideological beliefs (hereof: impact-driven employees). As a result, the impact-driven employees expected that start-ups would allow them to challenge the current status quo in how established companies operate and thereby impact society. This statement was clearly demonstrated for the impact-driven employees working in retail and transportation. For instance, [Participant 10] who wanted to reduce fast-fashion and contribute to *environmental sustainability*.

“It is very important for me to feel that I am doing something useful for the world. And it is actually very interesting, because I have never felt when I work elsewhere, that they actually contribute with something useful and good for the world. However, when I work here, I feel very pleased about it. I feel proud to say that I work for a company that wants to improve the world by improving sustainable use of products.” (Participant 10).

Although not as obvious, the same driving factor was also demonstrated in other industries, especially for employees working with cryptocurrency, Internet of Things and AI solutions, where the ability to impact society through for example *digitalization* was crucial for the employees. For instance, [Participant 11] who considered working with cryptocurrencies as more important than having a high compensation.

“Basically, cryptocurrencies have the technology to deliver to all people in the world. It has an approach which allows it to disrupt the industry like the internet did. So, I kind of have an ideological interest for the product itself. One of the most interesting things is that [Start-up 10] is leading the development in ecommerce, meaning that they are one of the larger crypto companies right now. (...) For me, it is more important than I get to work within the bitcoin industry than receiving a high compensation. (Participant 11)

4.1.4 Tight relationships and close communication

Some of the respondents, who did not express the same driving force toward societal impact, pointed out that they expected start-ups to consist of close teamwork (hereof: relation-driven employees). For them, the close teamwork was of high importance to feel stimulated, and not as attainable in established firms. Additionally, they stressed the value of close relationship with their manager and the relaxed communication between them. This was for example mentioned by [Participant 20]:

“I wanted to be part of a team and a part of building the company. I wanted to be a part of the feeling that they seemed to feel all the time. And it's all been great. Before Corona, when we had our different events at work, it felt like they were all my best friends. With very nice conversations and everyone came with exciting input. So, I would say that the relationship in our team was wonderful. We had training together, wine tastings in someone's wine cellar, and so on. So, the whole atmosphere was pretty much like we were one big family. I think my relationship with the highest sales manager and our founders was also very relaxed and friendly. They came and patted each other on the shoulder and said hello and we joked about things that I would never joke about with my previous managers. So, then you enjoyed working with your CEO. So, if I think of when I joined the company, the feeling was that everyone was very transparent and friendly” (Participant 20)

4.1.5 Realization of goals

In addition to direct expectations on the work, start-ups were perceived as a platform where the respondents would be able to quickly realize personal and professional goals. Although the professional goals naturally looked somewhat different depending on seniority and the context of the company, e.g., *becoming a team manager, obtaining a senior position and gaining influence in the company* they could all be connected to gaining *responsibility*.

“My main goal, and one thing that I was looking for, was to obtain personnel responsibilities. So that was a goal I had when I started working here. I feel like there was an opportunity for that in the role when I started. Even if I do not have it at the moment, I will probably get it when we scale up a bit of sales and the marketing organization.” (Participant 17)

In addition, the respondents' goals correspond with gaining *knowledge*, as their personal goal included to develop within their profession.

“My goal when I started here was to really learn, get a broader focus. I have worked very close to the business but at the same time had very practical experience of B2B sales. So, I really felt like developing and broadening my own business acumen. From my job in HR at my previous start-up, I learned to run and build a company, but adding the sales part to it really became more nuanced. So that was a personal goal. Professionally, I was trying to reach my sales goals so they would not regret the investment in me.” (Participant 15)

4.1.6 Final words about expectations on the work start-ups

The most important considerations in this section of the empirics, concerning expectations on the work at start-ups, is threefold. First, the respondents had similar implicit expectations, e.g., support from the employer, culture, and development opportunities. They perceived the risk at start-ups to be a little bit higher but rather similar to established firms as long as the same terms were offered. However, the promises from their employer differed, such as ownership in the start-up, an open-minded atmosphere, and the absence of formalized processes. Second, the respondents had two different driving forces: (i) the relation-driven employees wanted close teamwork, and (ii) the mission-driven employees wanted to impact society through sustainability or digitalization. Third, they had different goals depending on seniority and industry, but which all were founded on gaining responsibility and knowledge. All aspects point toward that the employee's expectations on their start-up when joining the company was based on terms which were perceived obtainable if the start-up would be (or were) successful. Hence, a successful start-up is more likely to be the case during stable circumstances when the start-up is not challenged to the same extent in terms of survival.

4.2 Change of conditions during the emergence of the pandemic

Section 4.2 contains the quotes that focus on *if* - and in that case *what* - changed in their working terms due to the emergence of the pandemic. The emphasis was put on both what happened but also how the respondents framed the change as it could provide insights into their perceptions and opinions. What was mutual for all of the respondents was that all experienced that their terms were significantly negatively affected. However, despite being worse off, they did not express any anger or disappointment toward the employer as the pandemic was out of the employer's control. The below section demonstrates which conditions were brought up in the discussions of changed working terms.

4.2.1 Postponing activities

Due to restrictions, shutdowns, and public recommendations to practice social distancing, the respondents expressed that the scheduled activities for the start-ups were postponed until further notice. Some of the things which were postponed immediately were development opportunities for the employee, e.g., *training, growth, new market entry*, but also *hiring processes* were cancelled due to strained financials.

"Well, I have not really had the same opportunities to develop as I would if the crisis wouldn't have happened. Another direct effect has been that we have been quite a lot more careful and postponed things. Much of what we would have done, we have moved forward. New hires have paused completely because we are still afraid that there will be much more backlash and affect the company in the future. Of course, corona has really dampened and made it impossible to do certain things. We would have traveled a lot with work and we have not been able to do that, which has been boring." (Participant 1)

Additionally, the postponing of activities could also be explained by that *investors started to withdraw their funding* as a response to the drop in revenues from customers, as stated by [Participant 14].

“During April and May we had our worst months ever so then I noticed that the crisis affected my chances to reach my sales goals. There was a bad mood in the whole company, we had many customers that started to cancel our product and others contacted us and could not pay their invoices because they had to prioritize other expenses. So that was something right there and then that put an end to my sales goals. Then we were so close to bringing in a lot of capital to the company and make another investment round but the pandemic made us stop it, which led to people getting laid off.” (Participant 14)

4.2.2 New working duties

Following the postponed activities (see section 4.2.1), the respondents experienced a change in working duties. The change was mostly manifested in *more administrative tasks*, which was perceived as unstimulating, due to a negative shift in customers’ purchases and preferences for long-term agreements. In addition, the respondents expressed receiving *tasks outside their scope*, due to cancelled hiring. For instance, [Participant 12] who had to enter a sales role despite having a strategic background.

“We needed a Sales development representative who worked with a role between market and sales that analyzed data and drives the traffic that comes in for sales. We started the recruitment process right before the pandemic. So unfortunately, we said no to everyone in the pipeline. Once we had started dismissing people as well, my boss said “I have a suggestion for you. We need you in this role and you are the only one who can do it. You have to take it.” It did not feel very fun to work with that when I come from working on strategic matters, but I want to work for [Start-up 11] so I had to do what it takes to succeed here.” (Participant 12)

4.2.3 Working remotely

Following the recommendations from the Public Health Agency (PHA), remote working was recommended in society. Thus, resulting in start-ups initiating remote working to encourage social distancing. Even though all respondents stated that they appreciated that their manager(s) did initiate remote working from a health perspective, it had some negative consequences on the working conditions. [Participant 3] expressed that working remotely caused barriers toward understanding *colleagues stress-level*.

“I think that when you work remotely, it is impossible to understand the other person's stress level - how many meetings he/she has and how busy the person is. So, it is difficult to take into account what the other person is feeling and therefore there can definitely be situations where we could not operate as well as we are used to. For example, now I don't get the support I need or now I can't get a colleague

to cope with me - or why does this person not answer me! So there, overall, I think we want to make things good again. But for example, the amount of work is just not right in these circumstances.”
(Participant 3)

[Participant 14] added to difficulties with remote working by stating that it was a hurdle *to not have the social interaction* that is otherwise provided in the start-up’s office. Thereby, suggesting that the performed work had reduced in quality.

“In the beginning it was quite a lot of chaos. I hate working remotely and am very much of a social person. I like to see people around me and have that interaction. So no, it was so bad that after three weeks of working from home I wrote to my boss that: I am absolutely not happy with my effort and I would not even pay my salary, give me tips on how I can improve it. So, it was such a bad commitment on my part.” (Participant 14)

4.2.4 A weaker culture

One of the most evident changes during the pandemic was the changing sense of culture. Although the respondents all agreed that the start-ups tried to maintain the strong sense of culture despite the changing circumstances and restrictions, it got *weaker* as time went by.

“So, I think that in the beginning of the pandemic, there was a lot of focus among everyone. It felt like everyone thought that we had to do everything to go all the way, for the company to succeed, but then clearly a little uncertainty about whether or not everyone would keep their jobs. Especially in the beginning, everyone was very motivated and so forth, but a little uncertain about what was happening. Not only for their own job but also to the pandemic itself. Basically, everything was so uncertain, so it was a bit stressful. But then again, we initially used a lot of Slack where we wrote a lot to keep our contact and positive spirit. We had a ‘quarantine’ thread where we wrote a little bit of everything so that people would not feel so alone at home. But yeah, it died out a bit after a while actually.”
(Participant 16)

4.2.5 Final words about change of conditions at start-ups during the pandemic

The most important considerations in this section of the empirics concerning the changes associated with the emergence of the pandemic are threefold. First, the respondents experienced a postponing of the start-up’s scheduled activities due to strained financials and withdrawal of funding as a response to a drop in revenues from customers. As a result, the respondents received new working duties, such as tasks that were more administrative and outside their scope. Second, the respondents experienced a shift from working at the office to remote working, which impaired the employees’ ability to understand the colleagues’ stress levels and having social interactions. Third, the respondents expressed a lower sense of culture despite efforts to strengthen it. In this section, it becomes evident that the respondents perceived their working terms to be changed due

to the change of going from stable to unstable circumstances during the pandemic. Although the changes in working terms are context-specific in terms of the COVID-19 pandemic, especially the experience of remote working, the implication of the challenged financials do map unstable circumstances well. Thereby demonstrating that the circumstances in which the PC prevails do impact the working terms for employees at start-ups. Moreover, as the respondents did not expect the newly emerged working terms during the pandemic from the beginning, they had to make sense of the new working terms despite the uncertainty and restrains which occurred during this time.

4.3 Perceptions of the changing circumstances

Section 4.3 contains the quotes from the interviews that moved beyond the working conditions and instead shed lights on how the changing circumstances affected the employees in terms of goals and perception of the world. Thereby, focus was oriented toward understanding the impact from the prevailing conditions during the pandemic on a more psychological level to add depth to the changes described in 4.2. This becomes particularly interesting as the working terms that emerged during the pandemic did not resemble the respondent's initial expectations. Although the answers in this section varied to some extent, depending on industry and seniority, they were surprisingly similar.

4.3.1 From personal and professional goals to ensuring survival of the start-up

All the respondents stated that when the pandemic arose, they experienced a shift in what was considered as important for them at the start-up. As a result of the changes during the pandemic, many of the respondents testified that they put their personal and professional goals aside and redirected their focus to the most essential needs of the start-up. Hence, a higher concern for the *company's survival* came through when the circumstances changed in an effort to navigate through the crisis. For instance, the mission-driven employees wanted the start-up to survive as it was necessary for the ability to have an *impact on society in the future*, as illustrated by, [Participant 16].

"It's more that you want to get the company to grow and reach the company's goals. Even if this existed before, of course, it has definitely grown stronger during the pandemic. But always, when things change rapidly, the only priority is directly the company's best. This has to survive, this is a brand that I want to survive, it's a brand I want to be able to save. I do not want there to only be these giants like H&M and such on, I want it to be different. So, for sure did we sharpen our focus when the crisis arose - there were not even any thoughts on goals personally or how they were affected." (Participant 16)

The relation-driven employees, as exemplified by [Participant 6], instead wanted the company to survive to *maintain and obtain a close teamwork*.

“I’ve seen the ability of the people I work with and I know what they are capable of. It feels unreal that this pandemic would take the opportunity away from us to succeed. I want to stay working with these people, have our daily meet-ups, and AW on Fridays. We need to stay together and get through this stupid pandemic. Nothing else is as important for me”. (Participant 6)

4.3.2 Participating or trusting in the decisions

On the question on how involved the respondents were in the decisions being made during the changing circumstances, the answers were twofold. The impact-driven employees took on an action-driven approach and participated in the discussion with the management to improve the start-up’s performance. For instance, by *finding new ways to generate sales, finding new office solutions, or finding ways to keep on the recruitments*. [Participant 7] suggested to carry out recruitments digitally despite the paused processes to obtain a stronger position in the future.

“The difficulty [in the pandemic] is that nobody knows how to act, so I thought that we needed to be proactive as this was an opportunity to get ahead of our competitors. The management wanted to pause our recruitment to the U.S. office, but my idea was rather to do the interviews digitally to be able to create the best scenario for the company once the pandemic was over. I don’t think my manager thought of the situation similarly, but then again he has not worked at all with our U.S. expansion” (Participant 7).

In contrast, the relation-driven employees stated that they took on a more compliant approach and relied on the management ability to navigate through the unstable circumstances.

“I trust that they will manage to navigate through the crisis and obtain good results. If you look at the results that they have obtained, I feel like they have done it completely right. And since I know those who manage the situation, and the decisions they have made before, I was happy with letting them do the management during this time. I just think that their strong leaderships reflect on our work on motivation and raises our team spirit” (Participant 19)

The trust, as mentioned by [Participant 19] was both inherited from the managers *past success stories* and *good problem-solving skills*. In these situations, the relation-driven employees tried to be a solid member of the team yet relied on the management to make the final decisions.

4.3.3 Starting to consider start-ups as risky

Even though all respondents themselves still had a job and work to do, they all referred to the situation as something occurring across all parts of society since they had friends or family that had been professionally affected. Here, this referred to losing their job as a response to *reduced need for their employment, to save costs, or business failure*. The respondents further state that the prevailing consequences of the pandemic made them inherit a new perspective in terms of *job security*.

“The crisis has made me very grateful that I actually have a job and I have started to think that there may come a day when that is not the case anymore. It makes me less greedy as I realize that I am satisfied as long as I have a salary I can manage on.” (Participant 9)

The new perspective further contributed with an expressed realization that start-ups are risky and that preparation for a volatile environment is crucial.

“Today I would consider myself as naive when I started working here. I never even thought that something like this could happen. Fundamentally you know that anything can happen, but this came as a chock to us. (...) I never saw myself in a crisis situation. So, you could say that I was for sure taken by surprise when this happened to us. But now, the same chock won’t happen again. Next crisis - come at me” (Participant 8)

4.3.4 A future containing a new normal

When answering questions about the time to come, all the respondents quickly expressed an optimism toward a nearby future when working conditions would return to how they were before the pandemic. What was mutual for the respondents was that they referred to PHA recommendation when discussing the duration of the pandemic. As the recommendations were told to only last for a given period of time, they expressed that things would get better in the future. On the one hand, they expressed that the reality would resemble their initial expectations and provide circumstances that make goals attainable again. On the other hand, they expressed that the industry and society would change and therefore needed the start-up to adapt thereafter.

“Investment dialogues have been paused because it has been difficult for the company to get new investments in this new time. Then there were investments in the beginning [before the pandemic] and we came a long way. But for us, it has been important to show that there is an interest in our product or our services despite the recession or crisis. (...) I would definitely say it paused.” (Participant 15)

While [Participant 15] stated that the world is paused, [Participant 8] expressed that the world will look different once the pandemic is over.

“In terms of work - I think we will come back to some normal. However, the industry will not look like it did before at all. (..) Overall, I think we will come back, at least to ‘the new normal’. Then the working methods may be different. But I think we will find our way back to something.” (Participant 8)

4.3.5 Final words about the perception of the changing conditions

The most important considerations in this section of the empirics, concerning the perception of the changing conditions during the emergence of the pandemic, is fourfold. First, the respondents had a similar experience of changing personal and professional goals to ensure the survival of the

start-up. However, the respondents had two different reasons for doing so: (i) the relation-driven employees wanted to maintain and obtain a close relationship with the team, and (ii) the mission-driven employees to be able to impact society. Second, the respondents differed in how they coped with the decisions made: (i) the relation-driven employees had faith in their managers' ability while (ii) the mission-driven employees provided suggestions to their manager. Third, the respondents agreed that the risk with start-ups became evident during the pandemic, which made them appreciate the security of having a job rather than reaching personal and professional goals. Fourth, the respondents shared the same view that a new normal awaits them after the pandemic with similar jobs yet in a changed world. In this section it becomes evident that the change of circumstances did not only affect working terms but also psychological aspects such as perception of risk and goal, as the unstable circumstances consisted of new conditions. Put differently, their initial perception of a start-up and goals which consisted during stable circumstances was simply not reasonable anymore given the emerging challenges associated with the implications of the pandemic. However, as the respondents expressed an optimism toward the future when the new normal would arise, they still were optimistic that they would return to a state where their initial perceptions, expectations, and goals would be more attainable again.

5 Analysis

5.1 Using shared and individual elements for understanding the PC during stable circumstances

Before enlightening the change of circumstances, it becomes vital to crystalize the role of societal norms in the creation of the PC and how it had developed during stable circumstances. As the respondents expected the same attractive working conditions, they started their employment at the start-up based on its stereotypical characteristics, i.e., support from the employer, culture, clear development insights and influence. Since the expressed expected characteristics of working with start-ups relied on a well-performing and scaling-up company, which is arguably more likely in stable circumstances where the company's survival is not challenged externally, we found that the most occurring perception of start-ups' characteristics was based upon the ones existing in stable circumstances. The respondents thereby relied on environmental cues to create their PC when no employer promises were yet made. A connection could further be drawn to shared elements (Rousseau, 2001) for the work at start-ups during stable circumstances. Once employed at the start-up, the employees learned about the specific employer's promises and expectations, such as ownership in the start-up, open-minded atmosphere or the absence of formalized processes, where some were translated into employer obligations. Hence, the schema for work at start-up during stable circumstances was assimilated (Piaget, 1983) with individual elements based on the specific company. Thereby, the respondents transitioned to the maintenance phase as their individual PC was stabilized, and final goals (hereof: original goals) were concretized, e.g., responsibility and knowledge (Rousseau et al., 2018).

5.2 The absence of strong negative affect despite large discrepancy in employer obligations

In this study it is essential to emphasize that Rousseau et al. (2018) suggests that if the anticipated employer obligations do not resemble the real outcome of actions or fulfill obligations, a passive or active change of the PC should occur depending on the discrepancy's size. Considering the change in working conditions during the emergence of unstable circumstances, e.g., receiving tasks that are more administrative and outside their original scope, the PC did no longer resemble the employer obligation. Additionally, the postponing of activities, e.g., withdrawal of investments and stop in hiring processes, counteracted the respondents' ability to reach their personal and professional [original] goals in expected speed. As a result of the extensive change in both working conditions and goal attainment, the change *should* cause a large discrepancy in the PC (Rousseau et al., 2018). Likewise, the employee *should* experience a strong negative affect according to self-regulation theory (Carver & Scheier, 1990; Rosen et al., 2009). This perceived discrepancy *should* according to theory (Rousseau et al., 2018) disrupt the PC and thereby cause an active change of the PC and transition the employee into the repair phase.

Surprisingly, the empirics demonstrate that this is *not* the case for the employees at start-ups during the change from stable to unstable circumstances, since they do not express any anger or disappointment toward their employer and thereby do not experience any strong negative affect. Considering theory (Rousseau et al., 2018), the absence of a strong negative effect could be explained if the respondents would have made a passive change with low activation affect. However, according to the empirics, this outcome was *not* possible as the employees did not express that their employers introduced any inducements that were more goal consistent than previous ones. Instead, as a result of the postponed activities, the [original] goals were less attainable. The respondents could not have incorporated new personal goals without further cognitive effort as suggested by theory (Rousseau et al, 2018), since they clearly demonstrated that the changing circumstances challenged existing structures. Moreover, they could not have relied on past promises about working in a volatile environment (Rousseau et al, 2018) as the respondents expressed that they were aware of but did not perceive any major risk with working at the start-up. Meaning, based on the logics of Rosseau et al (2018), that the risk associated with start-ups must *only* have been perceived as a probabilistic expectation and *not* an obligation during stable circumstances.

Despite experiencing a significant discrepancy, it seems as if the respondents do not transition to the repair phase, since they do not react accordingly. Instead, it appears as if the dynamics are different during unstable circumstances, as they transition to a state beyond what is suggested in Rousseau et al.'s (2018) framework.

5.3 The accommodation of a temporary PC

To understand the new state in the dynamic phase model of PC processes (Rousseau et al., 2018), the fundamentals of cognitive schemas could be used (Piaget, 1936; 1983) as the two concepts are brought up interchangeably. Once an established schema is stabilized, humans tend to resist adding new information that does not fit their current perception, similar to the logic behind PCs and self-regulation theory (Fiske and Taylor, 1984; Rousseau et al., 2018). However, during the emergence of unstable circumstances, a significant amount of new information had to be incorporated following the expressed change in working conditions and obstacles to attain their [original] goals. An assimilation of the existing schema is thereby unlikely to occur due to its associated high cognitive effort. However, as the respondents express an understanding for the changed condition and obstacle for goal-attainment, the information must have been processed and organized. Surprisingly, it appears as if they have *accommodated* and *activated* a new cognitive schema based on work at start-ups during unstable circumstances. Given that the respondents further expressed that a new goal emerged during the changing circumstances that was no longer personal or professional, it seems as if the new cognitive schema was based on the urgent goal of ensuring the start-ups survival (Taylor & Crocker, 1981).

Since the respondents communicated that the [original] goal has been paused, and that a [new] urgent goal emerged, it came across as if the new one was simply prioritized during the unstable circumstances. Meaning from a PC theory standpoint (Rousseau et al., 2018), that the new PC was perceived to only last *temporarily*. Hence, a negative affect has not occurred as they do not have to change their beliefs about the world but rather understand a completely different one (Fiske & Taylor, 1991). The idea of the new PC being temporary is strengthened empirically, as the new recommendations were communicated to only last for limited time, similar to what the pandemic and its associated implication were told to be. As a result, the respondents are not transitioning to *repair* within the dynamic process of their PC as suggested by Rousseau et al. (2018), but rather to a temporary PC with “the new normal” as an expiration date for when the circumstances get more stabilized.

5.4 The interplay between shared and individual norm in the temporary PC

To understand the similarity and difference in the respondents’ perception of the new temporary PC, it is important to acknowledge the interplay between societal and individual elements (Rousseau, 2001). Given the acceptance for the worsened working conditions and the similarity of the [new] goal associated with the temporary PC (Piaget, 1936; 1983). The respondents further describe the cultivation of new perspectives in terms of weakened job security which suggest that the [new] goal was fueled by the perceived risk of business failure. As a result, the acknowledgement of risk associated with start-ups became an obligation in the temporary PC. The same risk was only perceived as a probabilistic expectation during stable circumstances, yet it became a normative expectation when business failure started to occur in society (Rousseau et al., 2018).

The basis for the mutual goal of ensuring the survival of the start-up, however, appeared to be separated in two different bases in the empirics. (i) The impact-driven employees oriented their [new] goal toward the mission of challenging the status quo and (ii) the relation-driven employees oriented their [new] goal toward the team and relationships at the company. Thereby suggesting that the shared elements were complemented with individual ones to create a temporary PC (Rousseau, 2001). As a result, it appears as all respondents’ transition from maintenance to a temporary PC that takes two different forms.

5.5 Temporary PCs during unstable circumstances resulting in two different behaviors

Rousseau et al. (2018) stresses the need to understand the behavior associated with new conditions within the dynamic PC process. This further becomes especially important to understand the process in the *temporary PC*, as the respondent did not show any strong negative affect.

5.5.1 Reacting to an ideological temporary PC with voice

For the impact-driven employees, the company's mission to challenge the status quo was the most important individual element (Rousseau, 2001) when entering the start-up, which can be interpreted as being the reason for their personal and professional [original] goals. By challenging traditional companies in terms of sustainability or digitalization, it indicated that the impact-driven employees had an ideological contract (Taylor & Tekleb, 2004) before the circumstances changed. Despite that the respondent reprioritized their goal to ensure the survival of the company, the *same* individual element (Rousseau, 2001) appeared in the empirics to be incorporated during unstable circumstances and thus formed their temporary PC. It could therefore be interpreted as if the ability to impact society was reflected and dependent on the [new] goal of ensuring the survival of the start-up.

The impact-driven employees also expressed an imposed behavior of being action-driven to solve upcoming problems as a result of changing circumstances. For example, by suggesting continuing recruitment digitally despite paused processes to reduce the hurdles from the changed working conditions, which support the idea of using voice from the EVLN model (Hagedoorn et al., 1999). Thereby, demonstrating that *despite* that the employees did not experience any negative affects and emotions, the mission-driven employees' behavior and reactions to the temporary PC is similar to the ones suggested in the repair phase (Rousseau et al., 2018). By engaging in a behavior such as voice to the changing circumstances, it appears as if the respondents believe that their behavior could contribute to the start-up's survival. Hence, as the temporary PC is perceived to only last until circumstances stabilize, it comes across as a fulfillment of their [new] goal would make them return to their original PC, where they could achieve an impact on society.

5.5.2 Reacting to a relational temporary PC with loyalty toward the employer

For the relation-driven employees, the relationships at the start-up was the most individual element for working there, which can be interpreted as being the reason for their personal and professional [original] goals. By being an organizational type that offered close teamwork in terms of a friendly and close communication with the manager, it indicated that the relation-driven employees had a high-quality relationship (Akkerman et al., 2019) and good organizational support (Coyle-Shapiro & Conway, 2005) before the circumstances changed. Despite that the respondent reprioritized their goals to ensure the survival of the company, the same individual element (Rousseau, 2001) appeared in the empirics to be incorporated during unstable circumstances and thus formed their temporary PC. It could therefore be interpreted as if the ability to realize the close teamwork was reflected and dependent on the new goal of ensuring the survival of the start-up.

The relation-driven employees also expressed an imposed behavior of being compliant and trusting the managers to solve the upcoming problems that resulted from the changing circumstances. For example, by relying on the managers ability to reduce the hurdles from the changed working conditions, which supports the idea of using loyalty in the EVLN model (Hagedoorn et al., 1999). Thereby, demonstrating that despite the absence of strong negative

affect, the relation-driven employees' behavior and reactions to the temporary PC is similar to the ones suggested in the repair phase (Rousseau et al., 2018). By engaging in a loyal behavior to the changing circumstances, it appears as if the respondents believe that the managers would be most fit to ensure the start-up's survival. Hence, as the temporary PC is perceived to only last until circumstances stabilize, it comes across as a fulfillment of their [new] goal would make them return to their original PC, where they could achieve close teamwork.

5.6 Conclusion

Through a qualitative study, we have gained an understanding for the changing perceptions of the PCs for employees at start-ups when unexpected conditions emerged, past expectations were challenged, and new obligations had to be made sense of. This is especially interesting as Rousseau et al. (2018) does not state how circumstances affect the dynamic process of PCs virtually. The dynamic phase model of PC processes (Rousseau et al., 2018), EVLN model (Hagedoorn et al., 1999), and schema research (Piaget, 1936; 1983) have been used together to analyze the empirical data to gain a deeper understanding for the dynamic PC process during a change from stable to unstable circumstances. This process has been described and explained to answer the question:

How does a change from stable to unstable circumstances affect the dynamics of psychological contract processes for employees in start-ups?

As a response to the changing circumstances, the respondents expressed that their working conditions changed drastically and the ability to reach their goals were hindered. However, as the unstable circumstances occurred on a society level and since its implications on start-ups were perceived to only last for a certain time - they were accepted. Based on both societal norms and individual attributes, the employees concretized their expectations for the unstable circumstances and accommodated a new *temporary* PC - rather than assimilating the current one. The temporary PC took form in either being oriented toward an ideological belief or a high-quality relationship, depending on the employees' ambition for working at the start-up. However, both were aligned toward the goal of making sure the company survives as their environment indicated a risk for business failure and unemployment.

Thereby the temporal features suggested by Rousseau et al. (2018): disruption, repair, renegotiate, and returning to maintenance – do *not* map the respondents' recalled experiences of going from stable to unstable circumstances. Instead, the respondents experience a shift from maintenance to a new parallel PC as the unstable circumstances are only perceived to last for a limited time. Thus, when circumstances get stabilized and the goal of ensuring the company's survival is reached, the original PC would emerge again in the setting of the new normal.

6 Discussion

6.1 Theoretical contribution and implications

Rousseau et al. (2018) present a phase model for PC processes which suggest that PCs develop dynamically over time. However, it remains unclear what environmental state the process is based on, or if the process is representative for all types of circumstances. This study contributes to understanding how an exogenous change and its associated change in circumstances at a start-up affects the dynamic PC process by gaining an understanding for how a change from stable to unstable circumstances affects the dynamic PC process. Thereby adding to Rousseau et al.'s (2018) framework theoretically by suggesting that the dynamic process of PCs is prone to be continuously affected by contextual changes such as the change from stable to unstable circumstances in which it prevails. At the heart of this study, the findings suggest the existence of a temporary parallel PC during a change from stable to unstable circumstances. To demonstrate this conclusion, it is essential to acknowledge the difference in perceived affective events following a transition to repair as suggested by Rousseau et al. (2018) in contrast to the suggested temporary PC which occurred in this study.

Rousseau et al.'s (2018) framework argues that in case of unfulfilled obligations, and delayed speed in attaining goals, employees should experience a disruption which transitions them to the repair phase. However, this thesis suggests that repairing a PC during unstable circumstances is difficult as (i) The unstable circumstances challenges the survival of the company, which limits the employer's ability to substitute or compensate for the unmet obligations (Tomprou et al., 2015). (ii) The unstable circumstances are perceived to be short-term and as time passes circumstances will stabilize. Original terms and goals (hence the PC) are thereby not changed, but rather paused. However, the transition from maintenance to either repair or the temporary PC differ in the perception of how affective the event is. In repair, the unmet promises are perceived as a violation of the PC which creates negative affect for the individual. The discrepancy is further something the employer *could* make up for. In a temporary PC, the unmet obligation is perceived as a response to a change outside the control of the manager as it affected everyone in society. The discrepancy in this case is something the employer *could not* make up for given their inability to react on or change the impact of the unstable circumstances. In repair, the employees are further likely to question or even scrutinize environmental data, a vigilance that impairs reliance on the existing PC (Forgas & George, 2001). In a temporary PC, the employees in contrast rely extensively on the environmental data.

Another aspect that serves as an important contribution in this study is that the employees behavior shown in temporary PCs is similar to the one in repair phase after a negative affect (Rousseau et al., 2018) as both states are associated with unmet employer obligations and an attempt in making sense of future ones. Similar to Dulac et al.'s (2008) findings, this study concludes that a high-quality relationship with others contributes to viewing unmet expectations

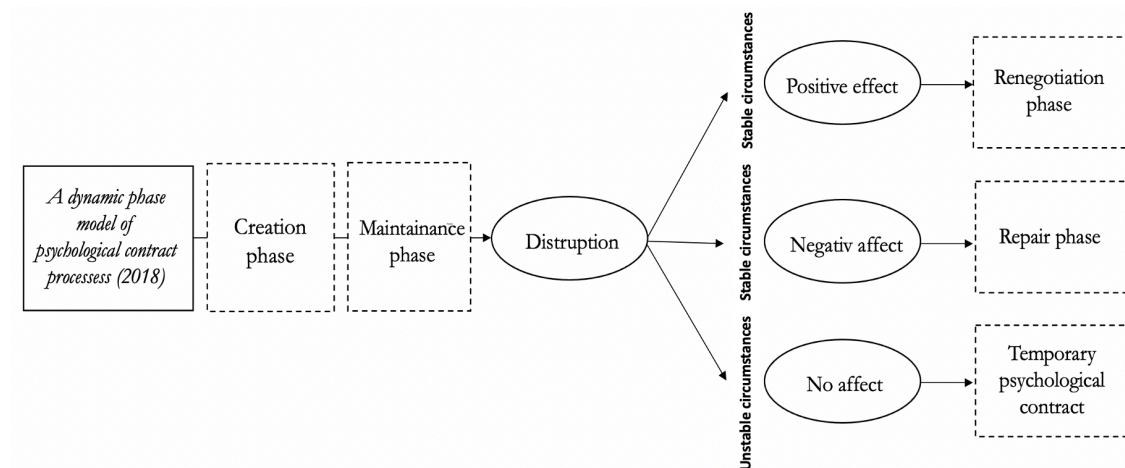
in a more favorable light. Likewise, the study also agrees with Thompson and Bunderson's (2003) conclusion that employees with an ideological contract put all their effort toward solving the situation when obligations are not met. In this study, this increased effort was further fueled by ensuring the survival of the company. The employees who had an ideological contract were thereby more concerned with staying at the company despite the unmet expectations as the start-up had a specific purpose that served an individual interest. Hence, making the acceptance of a temporary PC easier. The study even suggests that the EVLN model, which originally concerns different behaviors and reactions after a disruption, provides a good understanding despite the absence of an affective event. Thereby, when obligations are unfilled the behavior is similar in the temporary PC and the repair phase, even though they differ in terms of perceived affective event.

To shed light on another important consideration in the thesis, the absence of reacting with 'exit' as suggested by both the EVLN model (Hagedoorn et al., 1999) and the dynamic phase model of PC processes (Rousseau et al., 2018), it is important to acknowledge the context of the pandemic. It is a simple yet important realization that serves as an essential reflection of this thesis. According to Hagedoorn et al. (1999) exit is one of the behaviors closest for the employee to engage in and could arguably be a reaction to worsen working conditions. However, findings show that exit was *not* perceived as an easy behavior to engage in as the respondents had learned from its surrounding that it could result in unemployment. Thereby demonstrating that the EVLN model (Hagedoorn et al., 1999) is rather context specific and affected by environmental factors. It further suggests that Rousseau et al.'s (2018) framework for the dynamic phase model of PC processes is limited, as it does not adequately demonstrate the dynamics during unstable circumstances.

Although the findings in this study are context specific to the COVID-19 pandemic, it has two essential implications for PC theory. Although our epistemology of having a dualism consisting of both being social and cognitive constructivists is consistent to Rousseau et al. (2018), this study demonstrates the importance of using concepts in schema theory to add depth to Rousseau et al.'s (2018) framework. Not the least as Rousseau et al. (2018) defines a PC as a cognitive schema (see 2.1.1). Thereby, the findings in this study are relevant for PC research but uses the terminology and logics of schemas to a greater extent than Rousseau et al. (2018). Additionally, it emphasizes the importance of understanding the impact of changing circumstances in the dynamics of PC processes to a greater extent than suggested by Rousseau et al. (2018). This study therefore extends Rousseau et al.'s theoretical framework (2018) by presenting alternative dynamics to the process of a PC that incorporates the dynamics of changing circumstances (Table 1).

Below is an illustrated version of how our theoretical contribution, i.e. the perception of a temporary PC during a change to from stable to unstable circumstances, could complement the previous theoretical foundation for the PC.

Figure 5 - A dynamic phase model of psychological contract processes during stable and unstable circumstances



We also want to emphasize that, with the theoretical contribution, we do not intend to achieve a generalization, but rather describe a complementary view. The table above is based on the illustration by Rousseau et al. (2018, p. 1082).

6.2 Methodological contribution to PC research

This study supports the use of a less obvious methodological approach to PC research as the majority of literature consist of an epistemological stance in positivism. Previous research on PC tends to focus on experiences using ranking instruments such as presenting PCF or PCB based scores and scales rather than any more profound explanation for them. This study contributes to a comprehensive understanding of the dynamic process and the employees' affects, where not only a snapshot of the process is at focus. Solinger et al. (2016) further argues that creating a scale and operationalizing different work experiences creates an inaccurate presentation, as it contributes to ambiguity concerning both what event the respondents refer to and the time-lapse of the event. As proven in this study, conducting in-depth interviews has given a more thorough description of the different events, their causes, and its consequences. We thereby want to contribute with a contrasting approach that demonstrates not only the possibility of conducting interviews in PC research but also the value of doing so.

6.3 Empirical contribution and practical implications

The combination of the pandemic and the effects that arose as a result in economies worldwide, creates a unique situation both nationally and globally which has a limited solid equivalent in the entrepreneurship literature so far (Kuckertz el al., 2020). The study has therefore empirically

generated valuable practical implications into how the COVID-19 pandemic has affected start-ups that are of value for all organizations that navigate the uncertain landscape (O'Neil, 2020); Deloitte 2020): not least start-up themselves. As research has demonstrated that human resources are one of the most important intangible assets (Holbeche, L, 1999), it should be as essential to learn about the COVID-19 pandemic's impact on the workforce as it is on the financials. Moreover, the study has provided valuable insights for managers in terms of understanding employees' reactions and behavior during the COVID-19 pandemic. Although these findings are based on the COVID-19 pandemic, they could also generate value for understanding other exogenous shocks or crises.

6.4 Limitations of the study

To evaluate the research carried out, it is essential to recognize and specify the shortcomings of this study. Criticism should particularly be pointed toward the methodology as it has affected how the research was carried out. The retrospective approach of sensemaking emphasizes the significance of cognitive biases regarding how people give meaning to things (Conway & Briner, 2012). Meaning, that it can be questioned how adequately the respondent portrays the working conditions during stable circumstances as humans tend to forgo less appreciated memories. These cognitive biases are highlighted by Rousseau (1995) as a part of individual predispositions which affect how "encoded" information will be used. To meet this limitation, we have been keen on probing and asked for in-depth detailed answers concerning the change and reactions that occurred during the time.

Further limitations to the study can be seen in the theories complementing the dynamic phase model of PC processes. It could also be questioned why a theory on external change has not been used to complement the theory of dynamic PC processes (Rousseau et al., 2018) as it could have contributed with valuable insights for understanding the changing circumstances as a result of the pandemic. However, we valued the strength of using the same logic behind PC theory to make sense of the limitations of Rousseau et al.'s framework. Therefore, we valued going deeper in the EVLN model (Hagedoorn et al., 1999) and schema research (Piaget, 1936; 1983).

Given the scope of the study, it is essential to acknowledge that it is limited in its consideration for factors affecting the dynamic process for the employees at start-up. We know that there are several other circumstances and attributes that affects PCs, e.g., self-efficacy, dispositional resistance, and perceived success of past change that was not accounted for in this study (Bal, De Lange, Jansen, Van Der Velde & Mandy, 2008; Carver & Connor-Smith, 2010; Coyle-Shapiro & Neuman, 2004; Robinson, Kraatz, & Rousseau, 1994). The study is thereby limited in the sense that this could explain why some PC disruptions are more severe than others despite being victims of the same unstable circumstances.

Another limitation to recognize is the limited case selection of this study. We have only interviewed people who stayed at each respective start-up during the pandemic, and not the ones who left or were asked to do so. Thus, this could further explain the absence of expressed 'exit' in the EVLN

model as explained in the discussion (see section 6.2). Moreover, the study is conducted during, not after, the pandemic - which results in some uncertainty to the conclusions regarding the empirical implications. Therefore, viewing the conclusion in relation to the conditions prevailing during summer 2020 in Stockholm is crucial.

6.5 Suggestion for future research

This study delivers on its purpose as an exploratory study, raising more interesting questions than answers. Nonetheless, it opens up for conducting more research to understand the dynamics of changing circumstances in the dynamic phase model of PC processes (Rousseau et al., 2018).

Since Rousseau et al. (2018) encourages researching the PC in different contexts, all contexts are highly essential within the PC research field. It would therefore be interesting to investigate the attitudes toward work at start-ups as countries have been affected by and managed the impacts from the COVID-19 pandemic differently. Furthermore, as this study only covers one of the research directions in the field of PC (see section 2.2), the remaining would add valuable insights into PC research. As these findings suggest the existence of a temporary PC during unstable circumstances but does not capture the process of the temporary PC nor when the employee returns to their original one, further studies when the unstable circumstances have prevailed for a longer time would provide a more comprehensive understanding. For instance, by conducting a similar study once the circumstances have begun to stabilize. Due to the nature of our research approach, testing Rousseau et al.'s (2018) proposition was not manageable. However, if this would be of interest, a similar study could be conducted with a more positivistic and quantitative research approach when measuring employment relationships in its temporal context.

At last, we hope other scholars will seek answers to these crucial questions as we believe they would add highly relevant information to both the understanding and the development of PC theory.

7 Appendix

Appendix 1 - Start-up networks

Source	Type	Link
Thehub	Job ads	https://thehub.io
Sting	Accelerator Network	https://sting.co
Norrskan	Start-up hub	https://www.norrskan.org
Sup46	Start-up network	http://sup46.com
The Factory	Co-working space	https://factorysthlm.com
Epicentar	Co-working space	https://weareepicenter.com
EU-startups	Webpage	https://eu-startups.com

Appendix 2 - E-mail to companies

Hi employees at [Company],

We are two Swedish students from the Stockholm School of Economics, who during the autumn write our master's thesis in management. Already during our bachelor's, we gained an interest in what attracts university students to work on start-ups, despite the fact that it is primarily larger companies that are branded to students at top universities in Sweden. Since the thesis received a lot of attention, we would like to build on it in today's more uncertain world.

After having a booming economy for many years, the pandemic struck and revealed how volatile the market really is, which caused many companies to react rapidly. In order to capture a dynamic picture of how companies and employees handle and experience this, we would appreciate if we would receive the possibility to interview one or more employees at your company **who were hired within the last 2 years**, if possible.

In order to get an idea of this, we hope that sometime in the coming weeks (preferably v. 26, 27) will receive a possibility to interview you. Since we wish to capture this change as soon as possible, we decided to start collecting empirical material already during the summer. We have a full understanding of your busy schedule, and can, therefore, be very flexible with time for the interviews. Of course, we also make sure to do the interviews online given the current state of the pandemic.

Our hope is that the study can contribute with insights and give you the opportunity for reflection. Of course, the study is anonymous, for both the interviewee and the company as such. We would have been incredibly grateful if we got to meet any of your employees who meet the "requirements" above. Please let us know if you are interested or not, by replying to this email or contacting us by phone. In any case, we appreciate your time and consideration.

Sincerely,

Olivia Hjelmstedt (0704-862521) & Martin Danckler (0760-063369)

Appendix 3 - Respondents in the study

Respondent	Company	Industry	Length of employment	Position	Gender	Contract
Respondent 1	Start-up 1	FinTech	6 months	Business Developer	M	High-quality relationship
Respondent 2	Start-up 2	Data Analytics	12 months	Sales Manager	F	High-quality relationship
Respondent 3	Start-up 2	Data Analytics	6 months	IT Engineer	M	High-quality relationship
Respondent 4	Start-up 3	Cyber Security	24 months	Operation Manager	F	High-quality relationship
Respondent 5	Start-up 4	FinTech	12 months	Business Analyst	M	High-quality relationship
Respondent 6	Start-up 5	Business Advisory	6 months	Associate	M	High-quality relationship
Respondent 7	Start-up 6	AI Solutions	12 months	Head of Growth	F	Ideological contract
Respondent 8	Start-up 7	Retail	22 months	Key Account Manager	F	Ideological contract
Respondent 9	Start-up 8	Transportation	12 months	Marketing Associate	F	Ideological contract
Respondent 10	Start-up 9	Retail	12 months	Business Developer	M	Ideological contract
Respondent 11	Start-up 10	Cryptocurrency	5 months	Content Creator	M	Ideological contract
Respondent 12	Start-up 11	Digital Solutions	12 months	Sales Associate	M	High-quality relationship
Respondent 13	Start-up 11	Digital Solutions	12 months	Software Developer	M	High-quality relationship
Respondent 14	Start-up 11	Digital Solutions	12 months	Business Developer	M	High-quality relationship
Respondent 15	Start-up 11	Digital Solutions	6 months	Business Developer	F	High-quality relationship
Respondent 16	Start-up 12	Retail	17 months	Operation Manager	F	Ideological contract
Respondent 17	Start-up 13	Machine Learning	16 months	Business Developer	M	High-quality relationship
Respondent 18	Start-up 14	IoT	12 months	Solution Architect	M	Ideological contract
Respondent 21	Start-up 14	IoT	22 months	Partner Acquisition	M	Ideological contract
Respondent 19	Start-up 15	AI Solutions	12 months	Account Executive	F	Ideological contract
Respondent 20	Start-up 16	Digital Solutions	24 months	Content Manager	F	High-quality relationship
Respondent 22	Start-up 17	Retail	16 months	COO	M	Ideological contract
Respondent 23	Start-up 18	Transportation	8 months	Key Account Manager	F	Ideological contract
Respondent 24	Start-up 19	Retail	13 months	Junior Associate	F	Ideological contract
Respondent 25	Start-up 20	AI Solutions	9 months	Associate	F	Ideological contract

Appendix 4 - Interview guide

1 Introduction

1.1 Personal introduction

- To get a perception of you as a person, could you give us / me a brief introduction of yourself?
 - What is your position / What is your title?
 - How long have you been working here now?

1.2 Expectations on the work at start-up

- How come you just ended up at [Company X]?
 - What was important to you when you applied for this job?
 - What did you expect from your manager(s)?
- What did you learn about the work when applying for this job?
- Was there anything that made you hesitate before taking this position?
- What were your goals when applying for this job?

2.1 Working conditions

- How were your working terms before the pandemic struck?
 - Can you tell us how your work tasks have changed after the pandemic struck?
 - (if any change) How do you feel about the change?

2.3 Atmosphere and culture

- How would you describe the feeling and culture in the office before the pandemic?
 - How did that feeling/culture develop when the pandemic came?
- Do you feel that your relationship with your colleagues has developed as a result of the pandemic? if so, how? If so, why not?

2.4 Motivation

- Have you ever during the crisis tried to implement an idea that you think would be good for the company or yourself? Can you give an example of an occasion when this has occurred?
 - Does this apply even if it was concerned with something that could be perceived as rather sensitive?
- Do you ever show a lack of interest or commitment in your work?
- Has anything at work upset you since the pandemic struck?
 - Why did it upset you? What caused it?
 - Can you describe something you did to fix it?
 - Can you describe something that your employer did to fix it?

3 Perception of the changing work conditions at start-up

3.1 Goals and behavior

- How do you feel that the pandemic has affected your ability to reach your goals?
- How have you behaved at work during the pandemic?
- How has your perception of a start-up changed during the pandemic? Why is that so?
- Has anything at work upset you since the pandemic struck?

2.2 Final question

- Do you see yourself working here for a long time to come?
 - How do you see the possibility of getting a new job today?
 - Would you consider applying for a new job today?
 - How do you perceive the risk of you being without a job in a month or so? What makes you feel that way?
 - Has anyone at your company been fired? If so - why?
- How do you estimate the future to be?

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