

**The Conscientious Small Business Owner:
The role of personality in employee-employer relationships**

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Abstract

This study examined the extent to which a small business owner is conscientious, and the impact of this personality variable on the types of relationships, or “psychological contracts,” that develop between owners and their employees. Participants were 253 employees and the 50 small firm owners for whom they worked. Conscientious owners were more likely to form long-term affective relationships with their employees, and less likely to arouse employees’ negative emotions. Conscientiousness was unrelated to the owners’ satisfaction or commitment to the firm. The implications of these findings are discussed.

What is it like to work as an employee in a small business? One answer is that “small is beautiful” (Wilkinson, 1999). In small firms, frequent and informal communication between the owner-manager and the employees can result in harmonious relationships and a family-type atmosphere (Matlay, 1999). When the number of employees is low, procedures can be flexible and tailor-made to individual needs. Moreover, the fewer the employees, the more varied, interesting and motivating is each employee’s work, since his or her input has a relatively larger impact on the performance of the firm as a whole.

But there is another answer to this question, which Wilkinson (1999) describes as the “bleak house” scenario of employment relationships. Small firms are also reputed to have poor, unsafe working conditions and low pay. The lack of standard working procedures and policies allow broken promises (Kickul, 2001) and autocratic management styles on the part of the owner, which employees, who are unlikely to be protected by a union, cannot challenge except through absenteeism and turnover.

These two depictions of employment relations in small firms are stereotypes that can often be supported by anecdotal evidence. Despite the burgeoning literature in small business, however, relatively few research studies exist that expand our understanding of intra-organizational relationships or the broader issue of human resource management in the small firm (Barber, Wesson, Roberson & Taylor, 1999; Hornsby & Kuratko, 2003; Matlay, 1999; McEvoy, 1984). Wilkinson (1999) suggests that we “need to move beyond simple stereotypical pictures of employment relations in small and medium-sized enterprises (page 214).” He also calls for research to examine the antecedents of particular patterns of

employment relations, identifying factors that might affect the working experience of small firm employees.

The goal of this paper is to gain a more nuanced insight into the dynamics of owner-employee relations in small firms. Specifically, we shall explore the beliefs of small business owners and their employees about their employment relationship, using the concept of the *psychological contract*. Psychological contracts (Anderson & Schalk, 1998; Millward & Brewerton, 2000; Rousseau, 1995) are defined as the perceptions of employers and their employees about the promises and obligations in their working relationship. Psychological contracts are implicit beliefs about employer-employee relations, as opposed to formal written contracts (Anderson & Schalk, 1998). We shall look at how the characteristics of small business employers shape the development of psychological contracts. In particular, it is proposed that the *personality of the owner*, the key power holder in a small organization, will have a significant impact on the nature of the employment relationship as reflected in the psychological contracts that owner and employees develop. In the following sections of this paper, we explore these two key elements of our research: psychological contracts and personality characteristics.

Psychological contracts

We use the concept of psychological contracts in the hope of adding precision to our understanding of employment relationships in small firms. The employer's promises are the building blocks of psychological contracts, whether conveyed verbally in the form of an assurance or through actions in the form of an unspoken or unwritten obligation (Rousseau, 2001). For this reason, they seem particularly relevant to aiding our understanding of the typically informal and highly personalized exchanges that occur in small businesses, where the owners themselves normally handle the key human resource decisions (Matlay, 1999).

The content of psychological contracts varies in ways that are interesting to us in our quest to understand the work environment in the small firm. For example, psychological contracts differ in terms of their focus – they may describe employee/employer expectations that are primarily economic, or they may describe relational expectations including the satisfaction of employees' social or emotional needs. Psychological contracts also have differing time-orientations – they may involve obligations that are expected to be just short-term, or they may describe long-term, open-ended work relationships that are expected to continue indefinitely. Another dimension is the formalization of the psychological contract, which may include defined, specific and limited performance requirements, or broad and dynamic obligations characterized by high-involvement tasks, latitude of action, and mutual interdependence (Millward & Brewerton, 2000).

Rousseau (2000) defines two broad types of psychological contracts, which include clusters of attributes drawn from the dimensions of focus, time-orientation and formalization. One type is termed the *transactional contract*. This has a primarily economic focus in which individuals' expectations are defined in terms of monetary rewards and limited, low-involvement, short-term employment arrangements (Millward & Brewerton, 2000). A college student who works on contract as a salesperson during the summer to deal with seasonal sales, who takes this short-term job only to finance his studies and expects to return to school in September, is an example of a person who holds a transactional contract. The other type of psychological contract is the *relational contract* (Rousseau, 2000). Relational contracts include the socio-emotional aspects of a work relationship. People who form relational contract orientations expect long-term work relationships and stability, and their beliefs include issues such as affective involvement, loyalty, and personal and career development on the job (Millward & Brewerton, 2000). An example of a relational contract would be one held by a graduate going to work for a parent, who expects to be able to apply a variety of skills she learned in business-school, and who identifies with the organization, which she fully expects to inherit when her parent retires. Returning to our interest in

work experiences in small firms, the affective and high-involvement aspects inherent in relational contracts have marked similarities with what Wilkinson (1999) has termed the “small is beautiful” view of employment relations in the small firm. In this study, therefore, a key outcome variable is the extent to which employer-employee relationships resemble relational psychological contracts.

Researchers have construct-validated measures of relational psychological contracts (Millward & Hopkins, 1998) and have found that having relational psychological contracts can predict a variety of work-related attitudes and behaviours (Coyle-Shapiro & Kessler, 2003; Dabos & Rousseau, 2003; Raja, Johns & Ntalianis, 2004).

The formation of a psychological contract is merely the first step in an exchange relationship between the employer and the employee. If, with the passage of time, the employee perceives that the employer has failed to fulfil his or her promised obligations, it is said that *contract breach* occurs (Morrison & Robinson, 1997). *Contract violation* is an emotional or affective state that usually follows breach. Contract violation is usually associated with emotions of anger, bitterness, frustration and disappointment (Morrison & Robinson, 1997; Robinson & Morrison, 2000), decreased loyalty to the organization, low trust, low satisfaction and turnover (Robinson & Rousseau, 1994; Turnley & Feldman, 1999). A small firm environment characterized by breach and violation matches many aspects of the “bleak house” scenario of employment relations (Wilkinson, 1999).

Personality of the small business owner

The informality of interpersonal relationships, the relative frequency of owner-employee communication, and the relative power of the owner within the small business suggests that the owner's personality traits will have a significant impact on working conditions for employees. Personality has been found to be a stable and accurate predictor of human behaviour in organizations (John & Srivastava, 1999). Personality research also has a long history in the study of entrepreneurship. Most of the early work focussed on the extent to which personality traits such as need for achievement or propensity to take risks have predicted the decision to become a business owner, or the extent to which such traits differentiated between entrepreneurs and managers (Begly & Boyd, 1987; Stewart, Watson, Carland & Carland, 1998; Vecchio, 2003). Since then, basic research in personality has continued to develop, but this development has not been accompanied by parallel developments in the study of entrepreneurship and personality (Nicholson, 1998). An important contribution of this study will be to apply aspects of modern personality theory to the small business and entrepreneurship arena.

In the past two decades, evidence has accumulated to suggest that almost all personality dimensions can be reduced to five factors. These have been labelled the Big Five personality traits, and include *agreeableness*, *conscientiousness*, *neuroticism*, *extraversion* and *openness to experience* (Goldberg, 1990; McCrae & Costa, 1987; McCrae & John, 1992). In simple terms, agreeable people are likable, friendly and considerate of others. Conscientious people are dependable, efficient and achievement-oriented. Neurotic individuals are emotionally unstable and bothered by criticism. Extraverted people combine sociability and assertiveness with high ambition. Openness to experience describes individuals who are creative, artistic and have intellectual inclinations. Mounting empirical evidence has supported the robustness of these five personality factors, and shown the superiority of this approach in comparison to other existing personality models (John & Srivastava, 1999). The study of the Big Five model in the small business area is recent and sparse, however. As a notable exception, Ciavarella, Buchholtz, Riodan, Gatewood & Stokes (2004) examined the relationship between the five personality traits and the survival of small business ventures. They found that conscientiousness was positively related to long-term survival of the firms, while openness to experience was inversely related. The other three personality traits were unrelated to business survival. Beyond Ciavarella et al (2004), we

found no recent study that examines the impact of the owner's personality traits on the internal dynamics of the small business.

Conscientiousness and psychological contracts

Of the Big Five factors, we have selected *conscientiousness* as the characteristic that appears to be most relevant to the development of psychological contracts. Conscientious individuals are achievement-oriented, are concerned with task completion (Barrick, Stewart, Neubert, & Mount, 1998), and have a propensity to plan (Goldberg, 1990; McCrae & Costa, 1987). Thus we might expect that the more conscientious the small business owner, the more likely he or she would be to plan for a successful and high-performing organization. Ciavarella et al (2004) in their study of 111 business owners concluded that conscientiousness made entrepreneurs persistent and committed to maintaining the operations of their new venture, which in turn led to a significantly greater business survival rate. Nicholson (1998), in a sample of firms ranging from small to large, also found a link between conscientiousness and performance.

We note that it cannot be the work of the business owners alone that makes a small firm viable or creates superior performance; business success normally requires hardworking and loyal employees as well. Thus we propose that the effect of conscientiousness on performance may well be mediated by the existence of strong employer-employee relationships. In the dynamic and informal environment of the small firm, owners count on their employees not only to perform assigned duties, but also to be ready to use their initiative and work beyond narrowly defined job descriptions. Such employee behaviour is necessary for the successful fulfilment of the multiple needs of the small business venture. Conscientious small business owners may be most likely to ensure long-term performance by communicating to employees their expectations of loyalty, dedication and a high-involvement work environment. People high on conscientiousness are also efficient, orderly and good planners. Also, conscientious owners may be more careful than others in selecting employees who will help to achieve the goals of the firm. They may be more likely to communicate expectations, orient employees to the mission and culture of the business and develop stronger affective bonds with them. This leads to our first hypothesis:

H1: The higher the conscientiousness of the owner, the more likely it is that s/he will develop relational contracts with the employees.

The actions of conscientious small business owners will be consistent with their promises, in accordance with their meticulous attention to planning and organization (Goldberg, 1990). From the description of conscientious individuals, it can be inferred that people exhibiting this personality trait will not engage in any unconsidered activity or make promises that they cannot keep. Therefore, employees working for a conscientious small business owner will generally perceive their contract terms to be fulfilled. This leads to our second hypothesis.

H2: The higher the conscientiousness of the owner, the less likely it is that employees will suffer a breach in their psychological contract and experience subsequent feelings of violation.

A business owner can credibly establish relational contracts only to the extent that his or her business is likely to survive in the long term. In examining the hypotheses above, it seemed prudent to examine the owners' level of long-term commitment to their firms. Cardon, Zietsma, Saporito, Matherne and Davis (2005) describe the emotional attachment entrepreneurs may have to their businesses, and their likelihood of persisting in, or abandoning their firms. Cardon and her colleagues propose that attachment to the firm may be weak if there are early problems or disappointments, or if owners did not plan carefully at the start, acted in an over-confident fashion, and developed unrealistic expectations that could not be met. This insight has clear implications for our key variables. The attributes of persistence and

early, careful planning appear to be good descriptors of a conscientious individual. Thus conscientious business owners may have strong attachments to their firms, which may be reflected in their satisfaction with their business activities. Moreover for owners high in conscientiousness, their emotional attachment might decrease the likelihood of abandonment of the firm (Cardon et al, 2005). We thus hypothesize that:

H3: The higher the conscientiousness of the owner, the more likely it is that s/he will be satisfied with his/her business.

H4: The higher the conscientiousness of the owner, the less likely it is that s/he will want to abandon or exit the firm.

Method

Participants

The first step in data collection was to find a sample of small business owners. A 2005 report by Industry Canada (www.ic.gc.ca) defines small enterprises as those employing fewer than 100 employees, for goods-producing companies, and fewer than 50 for service firms. To maximize the chances that there would be direct interactions between owners and their employees, we sought a sample of service-industry firms with a maximum of 50 employees. Using the Business and Consumer Site (strategis.ic.gc.ca) as an initial sampling frame, and supplementing this with snowball sampling (Curran & Blackburn, 2001; Whitley, 2002), we contacted 321 small firms in Montreal, Toronto and Ottawa. The owners of these organizations were initially approached with an invitation letter explaining the purpose of the study and its benefits to the small business owner and employees. Owners were asked to complete a questionnaire, and to distribute questionnaires to five or more of their employees. Particular emphasis was laid on the confidentiality of responses. All completed surveys were mailed directly to the researchers in self-addressed, stamped envelopes. Among those invited to participate, 63 firms responded (20%), and for 50 of them, we received data from both the owner and at least two employees.

The final sample was composed of 253 employees and the 50 small business owners for whom they worked. The average number of employee responses per firm was five (range = 2 to 16). The average life span of the small businesses in this sample was 12.8 years and the number of people employed in these firms averaged about 18 employees. Out of 50 small firm owners who completed the questionnaire, 39 identified themselves as male. The mean age of small business owners was 43 years, and almost half of them had a university degree.

Following the 2002 North American Industry Classification System (NAICS) the small firms were representative of the following industries: scientific and technical services (34%); retail trade (12%); arts, entertainment and recreation (12%); manufacturing (8%); accommodation and food services (8%); health care and social assistance (4%); other services (12%); and other industries (10%).

Measures

Two questionnaires were used to collect the data. The first one measured the business owners' psychological contract (that is, their perception of their obligations towards employees), conscientiousness, work satisfaction, and intentions to continue in or exit the firm. The second questionnaire addressed employees' psychological contract (that is, their perception of what the owner had promised them) and their perceptions of contract breach and feelings of violation. The questionnaires were available in both English and French. In the sample, 32 small business owners completed the questionnaire in English, and 18 in French. Of the employees, 120 completed the English version and 133

the French version. There were no significant differences between the French and English questionnaire responses in any of the key variables.

Employers' obligations towards employees (i.e., the *psychological contract as perceived by owners*) were assessed using Rousseau's (2000) Psychological Contract Inventory. Eight items captured the employer's relational obligations towards employees. Owners were asked to rate the extent to which they made various promises to their employees, using a five-point scale (1 = not at all; 5 = to a great extent). Sample items are: "Make decisions with their interest in mind," "Be responsive to their personal concerns and well-being," and "Stable benefits for employees' families." In this study the relational scale on the employer survey had an internal consistency reliability of .85.

Small business owners' promises towards employees (i.e., the *psychological contract as perceived by employees*) were also assessed using the Psychological Contract Inventory (Rousseau, 2000). Slight changes in wording were necessary for the instrument to apply to the employees' perceptions. For example, one of the items in the owners' section "Make decisions with their interest in mind" was changed to read "Make decisions with my interest in mind." Employees were asked to indicate the commitments or obligations made by their employer. The internal consistency reliability of this scale was .89.

Perceived *contract breach* was captured using Robinson and Morrison's (2000) 5-item scale. Sample items are: "Almost all promises made by my employer during recruitment have been kept so far" (reverse-keyed item) and "My employer has broken many of its promises to me even though I've upheld my side of the deal." The internal consistency reliability of this scale was good (alpha = .91). Robinson and Morrison's (2000) four-item measure was used to assess employees' *feelings of violation*. Sample items include: "I feel my organization has violated the contract between us" and "I feel extremely frustrated by how I have been treated by my organization." A good level of reliability was also achieved with this scale (alpha = .85).

The owners' *conscientiousness* was measured with a 9-item scale drawn from the Big Five Inventory (John, Donahue, & Knetle, 1991). Participants rated their extent of agreement with each item on a five-point scale (5 = Strongly agree). Sample items include: ("I see myself as someone who..."), "Perseveres until the task is finished", and "Does things efficiently." The internal consistency reliability of the scale was .71.

Job satisfaction was measured using five items from the Brayfield and Rothe scale (1951). This shortened version has been used recently by several researchers and exhibits acceptable reliability (Bono & Judge, 2003). Sample items are: "Most days I am enthusiastic about my work," and "I feel fairly satisfied with my present job". The alpha coefficient of this scale was .83.

A tailor-made scale measured the small business owner's *exit intentions*. The scale was composed of five items describing potential reasons for small business owner to leave their organization. The items included were: "I am seriously thinking of getting out of this business and working for someone else," "I would like to hand the operation of my firm over to a professional manager," "I intend to sell this firm and establish a new one," "I am thinking of selling this venture to someone else," and "I am planning to retire." The internal consistency reliability of the scale was .70.

Finally, since gender and amount of work experience have been found to be associated with individuals' contractual preferences in previous studies (Millward & Brewerton, 2000), both were used as *control variables* in our analyses.

Results

Table 1 presents the descriptive statistics and the correlation matrix for the study variables. Regarding the owners, the mean rating for conscientiousness was 4.05 (standard deviation = .55). The owners perceived, on average, that they had made relational promises to their employees (mean = 4.06, $SD = .71$). The means for owners' attitudes were 4.46 ($SD = .70$) for satisfaction and 1.76 ($SD = .79$) for exit intentions.

Aggregation of employee perceptions

Within each of the 50 firms in our sample, two or more employees rated their psychological contract perceptions. As the data were to be analyzed at the firm level, we needed to aggregate employee responses. Klein and Koslowski (2000) suggest procedures that can be used to aggregate data from a lower to a higher level of analysis. These authors state that intra-class correlation coefficients, ICC (1) and ICC (2), are among the most frequently used techniques to assess homogeneity in responses and evaluate the appropriateness of data aggregation. ICC (1) provides an estimation of the variance of scores on a scale across firms as reported to the overall variance among them, while ICC (2) is a measure of the reliability of the group means. The methodological literature suggests that a value exceeding .20 (Ostroff & Schmitt, 1993) and a significant F-statistic is an adequate indicator of aggregation for the ICC (1), while a value equal to or exceeding .70 is an acceptable indicator for ICC (2) (Klein & Koslowski, 2000).

The intra-class correlation coefficients indicated that aggregation of employee responses was appropriate. The ICC (1) was .43 for the relational contract scale, .67 for perceptions of breach, and .57 for feelings of violation. The ICC (2) was .86 for the relational contract scale, .91 for perceptions of breach, and .84 for feelings of violation. In sum, these results provide strong support for aggregating the data at the firm level.

As can be seen from Table 1, employee perceptions appear to be consistent with the owners' view of their contract obligations. Specifically, aggregate employee reports of owners' promises had a mean of 3.48 ($SD = .70$) for relational contracts (compared to the mean owner report of 4.06). This can be interpreted as saying that the average employee perception that relational promises had been made was somewhat lower than the owners' view, but there was a large correlation between the employer and employee ratings ($r = .62$; $p < .01$) indicating considerable agreement about the extent to which relational contracts existed.

Finally, we checked whether employee ratings of the extent to which promises made by their employer had been kept, and whether cases of non-fulfilment resulted in any negative feelings. The low means for employee reports on the psychological contract breach (mean = 2.07, $SD = .66$) and feelings of violations (mean = 1.57, $SD = .55$) suggest that in general, breach and feelings of violation were relatively infrequent.

Table 1: Descriptive statistics and correlations for the study variables

	Mean	SD	1	2	3	4	5	6	7
1. Conscientiousness	4.05	.55	.71						
2. Relational - OR	4.06	.71	.37**	.85					
3. Relational - AER	3.48	.70	.29*	.62**	.89				
4. Breach - AER	2.07	.66	-.21 ⁺	-.46**	-.81**	.91			
5. Violation - AER	1.57	.55	-.30*	-.35**	-.68**	.83**	.85		
6. Satisfaction	4.46	.70	.02	.52**	.21 ⁺	-.23 ⁺	-.28*	.83	
7. Exit intentions	1.76	.79	-.22 ⁺	-.26*	-.23 ⁺	.26*	.26*	-.30*	.70

Alpha coefficients are reported in bold on the diagonal.

OR = Owners' ratings; AER = Aggregated employee ratings. All ratings made on 5-point Likert scales.

⁺ p < .10 (one-tailed)

*p < .05 (one-tailed)

**p < .01 (one-tailed)

Hypothesis tests

In testing the hypotheses, we began with simple bivariate correlations that provided evidence for the relationship between conscientiousness and the outcome variables. Hierarchical linear regression analyses were then conducted to test the main effects of conscientiousness on psychological contracts, satisfaction and intentions to exit the organization. Control variables (gender and work experience) were entered in the first step of the regression equation, while conscientiousness was added in the second step.

At the bivariate level, the owner's conscientiousness was associated with relational contracts in terms of both owner ($r = .37$; $p < .01$) and employee ($r = .29$; $p < .05$) perceptions. In the regression analysis, conscientiousness predicted owner relational contracts ($\beta = .29$, $p < .05$; see Table 2), and the inclusion of conscientiousness in the equation explained an additional 8% of the variance in relational contracts beyond the impact of control variables ($F = 4.91$, $p < .05$). The regression analysis was repeated with employees' perceptions of relational contracts as the dependent variable. Here we found that conscientiousness was weakly related ($\beta = .24$, $p < .10$) to relational contracts, explaining an additional 6% ($\Delta R^2 = .06$, $F = 2.93$, $p < .10$) of the variance in employees' perceptions of their owner's promises. These analyses together provide support for Hypothesis 1. Thus we conclude that the higher the conscientiousness of the owners, the more likely they are to develop relational contracts, with expectations of loyalty and high-involvement from their employees. These expectations are largely mirrored in the employees' perceptions.

Conscientiousness was negatively correlated to employees' feelings that their psychological contract had been violated ($r = -.30$; $p < .05$). On the other hand, the link between conscientiousness and perceptions of breach was weak at the bivariate level ($r = -.21$; $p < .10$). This pattern was confirmed in the regression analysis; the owner's level of conscientiousness did not predict perceptions of breach ($\beta = -.19$; $p < .217$; see Table 3), however, conscientiousness had a significant negative relationship with employees' feelings of violation ($\beta = -.29$, $p < .053$). Hypothesis 2 is therefore partially supported. Conscientiousness is unrelated to actual breach, though when the owner's level of conscientiousness is

high, employees are less likely to report feelings of violation. Put differently, it is possible that an owner could break the implicit promises of a psychological contract, but the employees would not report negative feelings if the owner has a high level of conscientiousness.

Table 2. Regression analyses for the effects of conscientiousness on relational contracts – owner and aggregate employee reports

Predictors	Dependent Variables					
	Relational Contracts (OR)			Relational Contracts (AER)		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1:						
Controls		.18*			.08	
Step 2:						
Conscientiousness	.29*	.26*	.08*	.24 ⁺	.14 ⁺	.06 ⁺

Control variables = Gender and work experience; OR = Owners' ratings, AER = Aggregate employee ratings.

+p < .10

*p < .05

Table 3. Regression analyses for the effects of conscientiousness on perceptions of breach and feelings of violation

Predictors	Dependent Variables					
	Breach			Violation		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1:						
Controls		.04			.01	
Step 2:						
Conscientiousness	-.19	.07	.03	-.29 ⁺	.08 ⁺	.08 ⁺

Control variables = Gender and work experience

+p < .10

Next, we looked at the relationship between conscientiousness and satisfaction. There was no bivariate association ($r = .02$), and the regression analysis did not indicate any significant relationship between conscientiousness and job satisfaction when the control variables were taken into account ($\beta = .18$, $p < .21$). There was a weak negative bivariate association between conscientiousness and exit intentions ($r = -.22$; $p < .10$), but this relationship vanished when the control variables were taken into account ($\beta = -.21$, $p < .171$). In conclusion, these results do not provide any support for Hypotheses 3 or 4.

In sum, we found that owners who were high on conscientiousness promoted relational obligations to their employees. Interestingly, even in cases where conscientious small business owners might have fallen short of their promises, the employees were unwilling to express any negative feelings towards them. The results failed to show that conscientiousness was positively related to owner satisfaction. Similarly, owners' level of conscientiousness was unrelated to their exit intentions.

Table 4. Regression analyses for the effects of conscientiousness on satisfaction and exit intentions

Predictors	Dependent Variables					
	Job Satisfaction			Exit Intentions		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1:						
Controls		.09		.04		
Step 2:						
Conscientiousness	.18	.12	.03	-.21	.08	.04

Control variables = Gender and work experience

Discussion

Looking first at personality and psychological contracts, conscientiousness was found to be a good predictor of relational contracts promised by owners, from both owner and employee perspectives. Conscientious individuals are proactive, good planners and organizers, and achievement oriented, driven by high performance motivation. As such, conscientious small business owners will ensure that their employees have a clear picture of their goals and they will try to develop employee relations that ensure loyalty and commitment. A comment made by one of our participants who is high in conscientiousness reinforces the above conclusion. The owner shows that he has a clear picture of his expectations from employees and tries systematically to communicate them:

“I have absolutely clear-cut expectations of my employees... I have minimum expectations of what functions need to be filled... but if that person is capable of more I am not going to stop their growth: I would encourage it, develop it and embrace it and try to get as much out of that particular person than what they have to do...Upfront I tell them [at the first meeting] what I expect. How can you expect somebody to know what's in your head; you have to tell them.”

Later in the conversation, he showed how his concern with achievement and attention to socio-emotional needs underlies the way he treats his employees. This type of commentary is a good example of a relational psychological contract:

“It makes it more interesting if people enjoy it, and they produce more. In any business, in any family that's how it works: give and take. You have to make allowances. But if I ask you to work overtime, you do it... Always keep your word; say good morning; say goodnight. When they're sick, call them at home. Give them a gift or two. Just be a human being... Treating them with respect is what makes my employees stay here. I may not pay better than anyone else, but I treat [my employees] with respect. It's a circle.”

Hierarchical linear regressions showed that small firm owners' conscientiousness was negatively related to employees' feelings of violation but unrelated to their perceptions of breach. The negative association between the employer's conscientiousness and the employees' feelings of violation is a clear indication of the goodwill created by the conscientious small business owner. Psychological contracts are occasionally breached (mean = 2.07), whether or not the owner is conscientious. Even in the case of contract breach, however, employees working for a conscientious small firm owner may give their employer the benefit of the doubt. The significant inverse relationship between conscientiousness and feelings of violation suggests that employees hesitate to express negative feelings towards their conscientious employers, even in cases where perceived promises are broken. It is possible that for these employees, contract breach is attributed to the pressures of the situation, rather than to the deliberate

action of the owner. Perhaps a conscientious owner who fails to keep a promise will not be blamed, since the employees perceive that their employer has a very high sense of responsibility, and they therefore assume that something serious or beyond his or her control must have happened. These findings imply that harmonious relationships or a “small is beautiful” atmosphere (Wilkinson, 1999) is most likely when the small business owner has a high level of conscientiousness, independently of whether or not s/he is able to fulfil all of the employees’ expectations.

The hypothesized relationship linking conscientiousness with satisfaction was not supported. This was unexpected in light of meta-analytic findings that portray the relationship between the two variables as one of the strongest among the Big Five traits (Judge et al., 2002). It is possible that the achievement orientation of the owners meant that they continued to strive to do better as opposed to being satisfied with what they had. This might have counter-balanced the emotional attachment of owners to the firm, resulting in a zero relationship. Furthermore, conscientiousness failed to emerge as a significant predictor of small business owners’ exit intentions. We measured intentions to exit the small business and not actual longevity or abandonment of the firm, as did Ciavarella and his colleagues (2004). One way of reconciling these seemingly inconsistent findings is the possibility that the majority of owners will say that they intend to continue their ventures as long as possible, however only the conscientious ones are likely to succeed in this plan (Ciavarella et al., 2004). We propose, tentatively, that the non-significant findings on satisfaction and exit might not pose a real limit to the ability of the owners to sustain long-term commitment to their employees.

Certain limitations to our conclusions must be recognized. Although our sample of 303 owners and employees, drawn from 13 industrial sectors, is comparable to many empirical studies in the small business literature, the generalizability of the data may be limited. Our participants came primarily from two large cities in Quebec and Ontario: in smaller towns, western provinces or rural areas, different interpersonal cultures may inflate or deflate the relationships between conscientiousness and working relationships. Similar studies conducted in different locations are needed to check the robustness of our results. Also, given the relatively high mean on relational obligations reported by business owners regarding their employees (mean = 4.06 out of 5.00), it is possible that respondents were somewhat self-selected in this study. We encourage future researchers on this topic to find arguments to convince those owners who are less inclined to develop relational contracts with their employees to participate in this type of studies. Further, we have assumed that personality is the causal variable and psychological contract orientation is the result, but it was not possible to test this with an experimental design (since conscientiousness is a dispositional variable). We must therefore examine the possibility of a reverse causation effect – psychological contracts having an impact on reports of personality. For example, could small business owners who have established a successful relational contract with their employees be more likely to present themselves as being highly conscientious? We believe the structure of the questionnaire constrained or minimized any such effect because the personality of the small business owner was assessed prior to his or her psychological contract orientations. Further the naive participant might not immediately think of conscientiousness (as opposed to agreeableness, for example) as a lay explanation for good relationships with employees. Finally, research has systematically shown that personality traits and their measurement tend to be stable across time and not situation-dependent (Epstein & O’Brien, 1985). For these reasons we conclude that our causal explanation is more plausible than the reverse.

Even though research on the Big Five personality factors is abundant in organizational behaviour, there have been few endeavours on this topic in entrepreneurial and small firm research. Hence, the major contribution of this study was that one aspect of the Big Five model was used as a focal point to explain relationships in small firms. The findings of this study may be taken as a starting point for a fuller exploration of these relationships. Beyond the replication that could enrich our understanding, there are other potentially fruitful avenues for research. First, further empirical attention is required regarding the relationship between owners’ conscientiousness and employee perceptions about their obligations to their

employers (and not just their perceptions of their employers' promises or commitments). Moreover, the question of the impact of the small business owner's personality on employee job satisfaction, organizational commitment or intentions to leave the small firm is equally significant. For example, would employees working for a conscientious small business owner report more job satisfaction and loyalty than employees whose owners are low on this personality characteristic? Future research endeavours could incorporate other personality traits as antecedents, or other consequences of having relational psychological contracts, such as employee performance or organizational success and survival.

The knowledge gained about employment relationships in small businesses from the present study has important implications for human resource practices and the working environment within small organizations. Personality research has systematically showed that personality characteristics remain relatively stable throughout one's life (House, Shane and Herold, 1996). The fact that it is difficult to change the small business owner's disposition leads us to focus, not on making owners more conscientious, but on discussing how they may establish procedures in order to establish effective relationships with their employees. We think the results of this study will help make these suggestions more convincing in the eyes of business owners. That is, those of them who score low on conscientiousness may run the risk of seeing their employees experience violations and breaches of their psychological contracts. As we know from the literature that these variables lead to negative organizational consequences (Turnley and Feldman, 1999), we have strong arguments for convincing the less conscientious entrepreneurs to be coached in their ability to build effective relationships (e.g., relational contracts) with their employees. This form of professional assistance can also indirectly help small business owners to increase the long-term effectiveness of their business activities. The results of this study also suggest that it is in the interest of small business owners, regardless of their personal characteristics, to establish relational contracts with their employees and to avoid breaking their promises, whether explicit or implicit.

According to the results of this research, conscientious small business owners who have specific expectations of their employees and clearly communicate them should anticipate that their employees would reciprocate. Under such conditions, employees will harmoniously cooperate with their employers and remain with their organization, adhering to those expectations. This is a particularly sensitive issue for small firms that have great difficulty in retaining a skilled work force. It is customary for small business owners to actively participate in HR practices in their firm, namely recruitment, selection and training (Storey, 1994). As these HR practices frequently take on an informal character (Jackson, Schuler and Rivero, 1989) the small firm owner should exercise caution and take the time to reflect on how these practices are carried out and what message ought to be conveyed to the newly-hired employees. For some people who fall under certain personality characteristics, such as conscientiousness or agreeableness, this might be a part of their recruiting routine.

During the recruitment and training process, it is essential that the small business owner present the applicant with specific job requirements and how these can be achieved. For example, a conscientious small business owner interviewed for this study compiled a complete list describing the specific job duties that the employee would be required to perform in order to fulfil the job requirements. This list would be presented to the candidate during the hiring interview to ensure a full understanding of what the job entails. The small business owner would take similar steps during training to ensure compliance with job requirements and to reinforce expectations. The actions taken by the conscientious small business owner can become an example for imitation by other business owners who do not match this specific personality profile.

“Small does not mean simple. Neither is a small business merely a scaled-down version of a large business. A small number of human beings engaged in a common endeavour can create very complex, subtle interactions. Unravelling the underlying meanings and patterns of these interactions can be far from

straightforward...” (Curran & Blackburn, 2001: 5). This paper is an initial attempt to explain employer-employee interactions in small firms, in order to add a small piece to the greater puzzle of human behaviour. Certainly, by overcoming the shortfalls of this study, future research endeavours can significantly contribute towards the understanding of exchange dynamics in small firms: a long journey into the labyrinth of human behaviour.

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