

**The moderating effects of transformational leadership and self-worth in the  
idiosyncratic deals - employee reactions relationship: A study of Indian hospitality  
industry**

**Abstract**

**Purpose** – This paper examines the relationship between timing of negotiations and idiosyncratic deals (i-deals) through the moderating effects of core self-evaluations, and between i-deals and employee reactions through the moderating effects of transformational leadership, in the Indian hospitality industry.

**Design/methodology/approach** – A total of 275 employees working in 39 companies responded to a self-administered questionnaire in the Indian hospitality industry. To test the raised research hypotheses of the proposed framework, the methodology of structural equation models was used.

**Findings** – The results show that the relationship between before hiring negotiations and i-deals is stronger for those individuals who had low self-worth, due to countervailing forces created by their belief that they may not be eligible for i-deals. In contrast, the relationship between after hiring negotiations and i-deals is stronger for those who had high self-worth, due to their belief that they were entitled to i-deals. Additionally, the research highlights that the relationship between i-deals and employee reactions is stronger for those organisations, which are high on transformational leadership behaviour.

**Research limitations/implications** – The data does not allow for investigating dynamic causal inferences, because they were collected using a questionnaire at a single point in time, and they were reported in retrospect, raising measurement concerns about recall bias.

**Practical implications** – From a managerial point of view, the findings in this study inform that in negotiating both employment conditions and work arrangements, organisations should try to achieve i-deals that are primarily flexibility focused, and that in increasing efficiency

organisations should make employees to feel well supported in order to develop more confidence in deploying skills and abilities to address a more open view of their idiosyncratic deals.

**Originality/value** – The study contributes to the accumulation of knowledge about the Indian hospitality industry, by utilising the self-enhancement theory in examining whether individual differences moderate the relationship between the timing of negotiations and i-deals, and also to examine whether transformational leadership behaviour moderates the relationship between i-deals and employee reactions.

**Keywords** Idiosyncratic deals, Timing of negotiations, Employee reactions, Self-evaluation, Transformational leadership, India

**Paper type** Research paper

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**Introduction**

Idiosyncratic deals (i-deals) is a relatively new concept in organizational research (e.g., Liao *et al.*, 2016; Liu *et al.*, 2013; Rousseau *et al.*, 2009) and has started to attract academic attention as a strategy for improving employee reactions (Ng and Feldman, 2015). ‘I-deals refer to voluntary, personalized agreements of a nonstandard nature negotiated between individual employees and their employers regarding terms that benefit each party’ (Rousseau, 2005, p. 8). I-deals are typically created through negotiations between an employee and the organisation (Liao *et al.*, 2016). The timing of such negotiations can be during recruitment as well as after hiring, and their content relates to the opportunities provided to the recipient in the form of job content, careers development, work time flexibility, location flexibility and financial incentives (Hornung *et al.*, 2014).

Organisations offer i-deals hoping that employees will react positively (e.g., Rousseau, 2005), and that i-deals will bring positive and direct benefits to both the employees and the organizations (e.g., Rousseau *et al.*, 2006). However, rather few empirical studies have been conducted on i-deals (e.g., Hornung *et al.*, 2008, 2009; Ng and Feldman, 2010; Rosen *et al.*, 2011) investigating the response of employees when they are offered special employment arrangements (Ng and Feldman, 2015). Further empirical investigation is needed to robustly address such linkages because i-deals are costly for organisations, and if they do not improve the employment relationship, then the rare and valuable resources offered to employees via these i-deals will not deliver the expected positive impact on all concerned parties (Ng and Feldman, 2010), making the return on investment on i-deals pointless (Ng and Feldman, 2015).

In the present study we focus on the relationship between i-deals and employee reactions for several reasons. First, both timing of negotiations and i-deals are important for attracting and retaining talent. However, it is argued that there is a connection between the timing of negotiations and i-deals (Rousseau *et al.*, 2009) and the strength of this connection may vary substantially due to differences in the national context of labour markets where negotiations are taking place. This study seeks to test this relationship in an emerging market - India that belongs in the middle zone of negotiability, which refers 'to the conditions of employment available for negotiation by workers and their employer' (Rousseau, 2001, p. 264). In particular, we test our hypotheses in the rapidly expanding hospitality industry of India. This is because the decline in collective arrangements in many countries has been widely noted to be faster in the services sector such as the hospitality industry. Associated to the rising concern for flexibility in the Indian hospitality industry, deriving in part from the changing composition of the workforce, there has been a growth in individual deals (Blyton *et al.*, 2008). Thus, it is interesting to examine this relationship in the Indian hospitality industry context, which in terms of idiosyncratic deals is still seriously under-researched.

Second, the relationship between timing of negotiations and i-deals may depend on the personal differences of individuals who are involved in these negotiations. Individuals may be different on various aspects such as gender, age, education, personality, and self-worth. In this study we examine whether individual differences related to self-worth moderate the relationship between the timing of negotiations and i-deals. For example, employees who have feelings of high self-worth are likely to feel entitled to i-deals. Contrary to that, individuals with low self-worth may develop countervailing forces with respect to i-deals (Ng and Feldman, 2010). This could be critical for customising and crafting personalised solutions to meet individual needs and preferences depending on the negotiating abilities of individuals, which may be influenced by their self-knowledge (Gelfand and Brett, 2004). Hence, according to this view, self-worth is

a variable relevant to personal and situational interests and it is a type of motivation that works to make people feel good about themselves and to maintain self-esteem (Sedikides and Stube, 1995). Thus, regardless of the accuracy of this self-knowledge, it influences one's perceptions of the self, as well as one's interactions with others (Jackson II and Hogg, 2010).

Third, previous research suggests a positive relationship between i-deals and employee reactions (Hornung *et al.*, 2008; Ng and Feldman, 2010). It is usually argued that employees will systematically react positively when they are offered i-deals that meet their expectations (Ng and Feldman, 2010; Rousseau, 2005; Sturges, 2012). However, relatively little is known about why employees improve their reactions in response to receiving i-deals (Ng and Feldman, 2015). The strength of these reactions may vary substantially due to differences in the quality of workplace relationships with their leaders, in particular, transformational leadership, that is known to be linked to desired employee reactions (Braun *et al.*, 2013). Transformational leadership refers to the behaviour where the leaders motivate their employees to perform beyond expectations. According to the social exchange theory, which propagates a process of negotiated exchanges between parties (Lawler and Thye, 1999), this leadership behaviour creates a positive climate at the workplace making the recipients of i-deals to reciprocate more favourably in terms of their attitudes and behaviour (Sargent *et al.*, 2012). Considering that little research has investigated the influence of climate factors in the relationship between i-deals and employee reactions (Bal *et al.*, 2012), in this study we also examine whether transformational leadership differences moderate the relationship between i-deals content and employee reactions. This is based on the premise that transformational leadership behaviour enhances the quality of relationships between employers and employees, which are necessary for improving the employment outputs (Carter *et al.*, 2013).

Considering that data on i-deals are largely anecdotal for emerging economies, the present study seeks to investigate the employment relationship concerning i-deals, which is

largely untested (e.g., Rousseau *et al.*, 2006; Rousseau *et al.*, 2009) with robust measures. The main aims of this research are then two-fold. First, is to examine whether the relationship between the timing of negotiations and the development of i-deals is moderated by the core self-evaluations of individuals. Second, is to examine whether the relationship between i-deals and employee reactions is moderated by transformational leadership behaviour. We utilise the theories of self-enhancement and social exchange to examine these two aims respectively. In doing so, as per our understanding this will be the first study to examine the impact of the timing of negotiations on i-deals, moderated by employees' assessments of their self-worth, and consequently the impact of i-deals on employee reactions, moderated by the quality of workplace relationships with their leaders. In other words, this research integrates in the same context the role of personality in the workplace expressed by self-worth and the role of climate in the workplace expressed by transformational leadership behaviour to investigate the relationship between i-deals and employee reactions (Johns, 2006).

The remainder of the paper is organized as follows. The next section presents the main theoretical developments and frameworks core to this research, the research hypotheses and an operational model to test the same. Sections follow this on methodology, analysis of results, discussion referring to theoretical, research and practical implications of the study, limitations of the analysis, and finally conclusions.

### **Research framework and hypotheses development**

The operational framework utilised for this research is presented in figure 1. There are two distinguishing features of this framework. The first refers to the relationship between the timing of negotiations and the development of i-deals. Based on the self-enhancement theory (Epstein, 1973), it is assumed that this relationship is moderated by the core self-evaluations of individuals. This is because one's self-knowledge influences its interactions with others such

as its negotiating behaviour (Gelfand and Brett, 2004). The second feature refers to the relationship between i-deals and employee reactions. Based on the tenets of the social exchange theory (Blau, 1964; Gouldner, 1960) it is assumed that this relationship is moderated by the transformational leadership behaviour. This is based on the premise that transformational leadership behaviour enhances the quality of relationships between employers and employees, which are necessary for the accomplishment of organisational goals (Carter *et al.*, 2013). The logic for the choice of the key research constructs adopted for this study and their linkages is presented below.

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Insert Figure 1 about here  
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#### *Moderating effect of core self-evaluations*

I-deals can be negotiated either prior to employment - known as *ex-ante* i-deals, or after hire - known as *ex-post* i-deals (Rousseau *et al.*, 2006). The timing of i-deals negotiation is associated with the bargaining power of the two parties, i.e., the employer and the employee. This is because the employers usually grant i-deals to employees not only after they have proved to be trustworthy and valuable, but also to recruits considering their qualities in highly competitive labour markets (Rousseau, 2005).

Both the *ex-ante* or *ex-post* negotiations and i-deals content are known to be interdependent (Rousseau, 2001). The content of i-deals is the resources it involves. For example, during *ex-ante* negotiations employers are likely to concentrate on i-deals with respect to tangible resources such as payment and working hours. In contrast, during *ex-post* negotiations employers usually concentrate on i-deals with respect to intangible resources such as mentoring and career paths (Rousseau *et al.*, 2009). It is further supported that the extent of

ex-post negotiation is greater than the extent of the ex-ante negotiation and that ex-post negotiations are related more to i-deals than ex-ante negotiations (Rousseau *et al.*, 2009).

I-deals can take countless forms, differentiated according to the timing of their formation and their specific content (Rousseau *et al.*, 2009). The content of i-deals is usually distinguished into three dimensions – task, career and flexibility. *Task* i-deals are personalised arrangements where individual employees negotiate to make their job content more motivating and enjoyable. *Career* i-deals are customised arrangements in which individual employees negotiate for advancing their professional careers. *Flexibility* i-deals are personalised arrangements where individual employees negotiate with respect to their working hours and work scheduling to better fit their needs and preferences (Hornung *et al.*, 2014). While these three types of i-deals have mainly been examined separately as per their contents, we argue that i-deals can comprise a single theoretical concept with several distinct but related dimensions (Law *et al.*, 1998). Depending on the nature of the research question, there is good reason to treat different i-deals contents as distinct variables or as a single general multi-dimensional construct (Liao *et al.*, 2016). According to the general multi-dimensional construct, the additive approach is not considered in order to avoid the treatment of equal influence on the dependent variables under investigation, and consequently the differential effects of the different components of these measures are explored (Jiang *et al.*, 2012).

There are many worker specific factors contributing to i-deals, such as their skills, competencies and capabilities (Rousseau, 2001). However, less is known about the moderating effect of core self-evaluations (CSE) in the employment relationship concerning i-deals (Ng and Feldman, 2010). Core self-evaluations include the fundamental qualities people hold about themselves (Judge *et al.*, 1998). There are usually four dimensions of CSE: self-efficacy, self-esteem, emotional stability and locus of control. *Self-efficacy* is the extent to which individuals believe in their ability to perform tasks and reach goals. *Self-esteem* is the extent to which



individuals evaluate their own worth. *Emotional stability* is the extent to which individuals feel mentally healthy. *Locus of control* is the extent to which individuals believe that they can control events that affect them (for details see Judge *et al.*, 1997; Judge *et al.*, 1998).

The theory of CSE has provided a useful framework for describing the effect of self-worth on work attitudes and behaviours (Johnson *et al.*, 2008). According to this theoretical framework, previous research using CSE as an independent variable in the employment relationship (Judge *et al.*, 1997) has supported the relation of CSE with various outcome variables including job satisfaction, work performance, and job characteristics (Chang *et al.*, 2012). The vast majority of these studies treated CSE as an exogenous variable without examining its mediating mechanisms (Chang *et al.*, 2012). Additionally, and consistent with Judge *et al.*'s (1997) view that CSE biases how employees appraise the employment relationship, researchers have proposed that outcomes in the employment relationship are contingent upon CSE, such that positive aspects of work are thought to be more salient to high CSE employees (Judge *et al.*, 1998). However, few studies provided evidence that CSE interacts with other variables to predict outcomes, and the findings of these studies were inconsistent (Chang *et al.*, 2012). In this study we treat core self-evaluations as a general multi-dimensional construct, following the same reasoning as presented above with respect to the i-deals construct, in order to consider the differential effects of the different components of CSE.

Also, less is known about the moderating effect of CSE in the employment relationship concerning i-deals (Ng and Feldman, 2010). Taking into consideration that reactions to events are influenced by how worthy one views oneself (Chang *et al.*, 2012), it is proposed in this study that CSE moderates the relationship between the timing of negotiations and i-deals. In particular, considering that the timing of i-deals negotiation is associated with the bargaining power of employees and the employers, it can be categorised into two types. First, ex-post negotiation is a dynamic on-going employment relationship between an employer and

employees. Employees who negotiate ex-post i-deals tend to believe that the employer recognises their qualities. Individuals, who have high positive assessment about their own worth, reflected in their high CSE, negotiate persistently and achieve i-deals, believing that the employer acknowledges their worth. Second, ex-ante negotiation is a static phenomenon, where employees who negotiate such i-deals tend to believe that the employer may want to fill some organisational needs. However, the strength of this positive relationship may inversely depend on the CSE of the individual under the explanation that CSE may create countervailing forces on employees' behaviour (see Judge *et al.*, 1998; Ng and Feldman, 2010). An individual who has low CSE tends to pursue the negotiations more in achieving i-deals, believing that by negotiating harder will give the impression to the employer that he/she is a competitive individual who is important for the organisation (Beauregard and Dunning, 1998). This may be true especially during tough times (Lapointe, 2011). Therefore, bearing in mind that individual differences related to self worth moderate the relationship between the timing of negotiations and i-deals, we hypothesise that:

***Hypothesis 1:*** *Core self-evaluations moderate the positive relationship between ex-post negotiations and idiosyncratic deals, such that the relationship is stronger for individuals who are high on core self-evaluations.*

***Hypothesis 2:*** *Core self-evaluations moderate the positive relationship between ex-ante negotiations and idiosyncratic deals, such that the relationship is stronger for individuals who are low on core self-evaluations.*

#### *Moderating effect of transformational leadership behaviour*

Employees obtaining i-deals may feel obligated to the organisation and thus, they are likely to reciprocate by positively reacting toward their organisation (Anand *et al.*, 2010; Ng and

Feldman, 2012). Research on i-deals documented that following a successful negotiation the specific employee demonstrates positive attitudes (e.g., Hornung *et al.*, 2010) and behaviours (e.g., Liu *et al.*, 2013), which concern both the self and the employer (Rofcanin *et al.*, 2014). It is argued that i-deals are related to greater employee motivation (Hornung *et al.*, 2008), higher employee commitment (Ng and Feldman, 2010), higher work engagement (Lai *et al.*, 2009) and higher levels of organisational citizenship behaviour (Anand *et al.*, 2010). *Employee motivation* is defined as “a set of energetic forces that originates both within as well as beyond an individual’s being, to initiate work-related behaviour, and to determine its form, direction, intensity, and duration” (Pinder, 1998, p. 11). *Employee commitment* describes the extent of an employee’s identification with and attachment to an organization (Meyer and Allen, 1991). *Employee work engagement or satisfaction* is often defined as “a positive, fulfilling, work-related state of mind that is characterized by vigour, dedication, and absorption” (Schaufeli *et al.*, 2002, p. 74). *Organizational citizenship behaviour* refers to work-related behaviour that goes above and beyond that is dictated by organizational policy and one’s job description (Organ, 1988). These four dimensions of employee reactions have received a lot of scholarly attention when related to successful negotiation of i-deals (Liu *et al.*, 2013). However, most studies have typically conceptualized most constructs as being uni-dimensional measures and neglected the fact that they may consist of more than one dimension (Zhu *et al.*, 2013). In contrast, following the same approach as we did with i-deals, we treat the contents of different employee reactions as a single general multi-dimensional construct (Edwards, 2001; Katou, 2015; Katou *et al.*, 2014; Liao *et al.*, 2016).

Over the last thirty years or so a great deal of research has examined the direct effects of leadership on work outcomes such as employee motivation, commitment, work engagement and OCB (Zhu *et al.*, 2013). During this period the focus of research has shifted from transactional to transformational models of leadership (Judge and Piccolo, 2004; Pillai, 2013).

Transactional leadership supports the view that leaders provide rewards in return for the employees performance, whilst transformational leadership argues that leaders motivate their employees to perform beyond expectations (Katou, 2015). However, although academic research on the topic of leadership has witnessed an impressive increase, resulting in the development of diverse leadership theories (Dinh *et al.*, 2014), it is only in recent years that research has started investigating the mechanisms of the role of transformational leadership in the employment relationship (Katou, 2015; Zhu *et al.*, 2013).

In the above-mentioned research, several studies have examined the effects of transformational leadership at an individual level (e.g., Braun *et al.*, 2013). Transformational leaders are known to motivate employees to achieve high levels of performance by transforming employees' attitudes, beliefs and values as opposed to merely gaining obedience (Bass, 1985). Core dimensions of transformational leadership include the responsive, supportive, and developmental leadership. *Responsive leadership* refers to behaviour such as being an active listener, responding to suggestions, and treating people fairly (Purcell and Hutchinson, 2007). *Supportive leadership* refers to behaviour that provides emotional, informational, instrumental, and appraisal to followers (House, 1981). *Developmental leadership* refers to specific behaviour that includes career counselling, careful observation of staff, recording followers' progress and encouraging followers to attend courses (Bass, 1985).

We go beyond earlier research to suggest that transformational leadership behaviour moderates the relationship between i-deals and employee reactions. This is based on the premise that when managers throughout an organisation place strong emphasis on transformational leadership, a positive climate arises within the organisation that makes the recipients of i-deals to reciprocate more strongly to the organisation, which is translated into improved employee attitudes and behaviour (Hofmann *et al.*, 2003). For example, a responsive leader by being an active listener and responding to suggestions may influence more strongly the relationship

between flexibility related i-deals and OCB. Similarly, supportive leadership, by influencing employees emotionally may have a stronger impact on the relationship between task related i-deals (i.e., making the job content more motivating and enjoyable) and employee motivation and organisational commitment. Likewise, developmental leadership by focusing on career counselling may have a stronger impact on the relationship between career related i-deals and work engagement. Additionally, following the same approach as we did with i-deals and employee reactions, we treat the contents of transformational leadership as a single general multi-dimensional construct (Katou, 2015). Accordingly, taking into account that transformational leadership behaviour moderates the relationship between i-deals and employee reactions by developing quality relationships between managers and employees, which are reflected into positive organisational climate (Carter *et al.*, 2013), we hypothesise that:

***Hypothesis 3:** Transformational leadership behaviour moderates the positive relationship between i-deals and employee reactions, such that the relationship is stronger for organisations high on transformational leadership.*

## **Method**

### *Context*

As mentioned-above, this study seeks to test the relationship between idiosyncratic deals and employee reactions in the Indian hospitality industry. This is based on the premise that the extent to which employment terms and conditions can be negotiated prior to employment or after hire may depend on fundamental labour differences that exist among countries. Countries with a high degree of negotiability in employment, such as the United States, United Kingdom and New Zealand, having few labour statutes specifying terms and conditions of employment leave a wide space up to individual employees and employers to determine i-deals. In contrast,

countries with a low degree of negotiability in employment, such as France and Belgium, having many labour statutes specifying terms and conditions of employment, leave a narrow space up to individual employees and employers to determine i-deals. Countries with a middle degree of negotiability in employment, such as India, Australia, Israel, Netherlands, Mexico and Singapore, having relatively some labour statutes specifying terms and conditions of employment, leave some space up to individual employees and employers to determine i-deals (Rousseau, 2001). Thus, the zone of negotiability (i.e., wide, middle, narrow) influences the extent of i-deals.

The zone of negotiability is shaped by a number of economic and societal factors. For example, an organisation operating in the hospitality industry might be more inclined to be flexible for setting its zone of negotiability than an organisation operating in a heavy manufacturing industry. Particularly, the fast growing sectors in emerging economies have given rise to a strong demand for highly marketable individuals making idiosyncratic deals more commonplace. However, this growing demand for talented individuals and the decline in collective arrangements has altered to some extent the balance of power between employers and employees (Rousseau, 2001). Considering that the hospitality industry is the largest service industry in India with a contribution of 6.6 per cent to the national GDP and 8.8 per cent to the total employment in India (Harini and Indira, 2014), it is important to test our idiosyncratic deals hypotheses in this rapidly expanding industry, which has emerged to be one of the key industries driving growth of the service sector in the country.

### *Sample*

A questionnaire survey in the Indian hotel industry was carried out between December 2013 and March 2014. Combining a convenience based along with a snowball sampling technique (Kulkarni *et al.*, 2015), 100 hotel organisations and travel intermediaries with more than 50 employees were approached by 20 individuals (samplers) pursuing management degrees at an

Indian Business School. It is supported that the collection of data through personal networks produces heterogeneous samples that increase the external validity of the findings (Demerouti and Rispens, 2014) and the generalisation of conclusions (Wheeler *et al.*, 2014). Following Gerhart *et al.* (2000) who suggest that the reliability of measures will be increased by using at least five respondents per firm, hence, the samplers were asked to concentrate on six respondents from each organisation - one at senior management level, two at middle management level and three at other (lower) employees' level, i.e., 600 questionnaires altogether. Of these, 275 usable questionnaires were returned from the employees in 39 organisations, a response rate of 39 percent at the organisation level, and 45.8 percent at the employee level.

Of the sample of 39 organisations, 42.9 percent had 75 to 250 employees, 26.7 percent had 251 to 500 employees, and 30.5 percent had more than 500 employees; 45.5 percent were from the hotel industry and 54.5 percent were from the travel intermediaries industry; 15.3 percent were from the public sector and 84.7 percent were from the private sector. Of the sample of 275 respondents, 81.1 percent were male and 18.9 percent were female. The average age of respondents was 29.19 ( $\pm 4.77$ ) years old, and the average seniority was 5.43 ( $\pm 3.85$ ) years. Finally, 18.9 percent of the respondents were senior managers, 36.7 percent were middle managers, and 44.4 percent belonged to the other category of employees (Dhiman *et al.*, 2016).

### *Measures*

Unless indicated, all research constructs are measured using a five-point rating scale ranging from 1 = *not at all* to 5 = *to a very grate extent*, from 1 = *totally disagree* to 5 = *totally agree*, or from 1 = *very little* to 5 = *very much*.

*I-deals timing*: The timing of i-deals was measured with two-items each for ex-ante and ex-post negotiation developed by Rousseau *et al.* (2009). *Ex-ante negotiation* was measured by items – “At the time I was hired, I negotiated for work arrangements that differ from the typical

employee here” and “When I was hired, I negotiated for particular employment conditions that suited me personally”. *Ex-post negotiation* was measured by items - “After I started working here, I have been able to negotiate special arrangements that suit me personally” and “I have been able to negotiate with my supervisor to create an employment arrangement that suits me personally”.

*I-deals*: The construct of i-deals comprised of 9-items developed by Hornung *et al.* (2014) and forms of three subscales - work tasks, career support, and flexibility schedules. Respondents were asked to rate the extent to which they had asked for and successfully negotiated personalised conditions in their current job. Example items include: “Job tasks that fit my personal strengths and talents”, “Personal career development opportunities”, and “A work schedule suited to me personally”.

*Employee reactions*: The construct of employee reactions comprised of four dimensions of motivation, organisational commitment, work engagement, and organisational citizenship behaviour. The *motivation* scale comprised of 11-items developed by Lockwood (2010), comprising of three sub-scales - recognition, incentives, and relations. Example items include: “I feel motivated when the organization personally congratulates me for my excellent work”, ‘I feel motivated when the organization is using performance as the basis for promotion’, and “I feel motivated when the organization is fostering a sense of community”. The *commitment* scale comprised of 15-items developed by Allen and Meyer (1990), which is divided into three sub-scales of affective commitment, continuance commitment, and normative commitment. Example items include: “I feel proud to tell people who I work for”, “It would be very hard for me to leave my organization right now, even if I wanted to”, and “If I got another offer for a better job elsewhere I would not feel it was right to leave my organization”. The *work engagement* scale comprised of 17-items developed by Allen and Meyer (1990), which consists of three sub-scales of vigour, dedication, and absorption. Example items include: “When I get



in the morning, I feel like going to work”, “To me my job is challenging”, and “When I am working, I forget everything else around me”. The *OCB* scale comprised of 20-items developed by Niehoff and Moorman (1993) and contains five sub-scales of altruism, courtesy, sportsmanship, conscientiousness, and civic virtue. Example items included: “I am helping others who have heavy work loads”, “I am consulting with other individuals who might be affected by my actions or decisions”, “I am not consuming a lot of time complaining about trivial matters”, “I am always punctual”, and “I keep abreast of changes in the organization”.

*Core self-evaluations*: The scale of core self-evaluations comprised of 12-items developed by Judge *et al.* (2003), which contains four subscales of self-efficacy, self-esteem, emotional stability, and locus of control. Example items include: “I complete tasks successfully”, “Overall, I am satisfied with myself”, “There are no times when things look pretty bleak and hopeless to me”, and “Always, I feel in control of my work”.

*Transformational leadership behaviour*: The scale for transformational leadership comprised of 11-items and is divided into three subscales of responsive leadership (see Purcell and Hutchinson, 2007), supportive and developmental leadership (see Rafferty and Griffin, 2006). Example items include: “How good do you feel managers are at keeping everyone up to date with proposed changes?”, “How good do you feel managers are at ensuring that the interests of employees are considered when making decisions?”, and “How good do you feel managers are at encouraging staff to improve their work-related skills?”.

*Controls*: We included sector, ownership and size as *organizational control* variables and gender, age, seniority and position as *individual control variables*. These demographic variables are known to have relationship between i-deals and employee reactions (e.g. Ng and Feldman, 2008, 2010). Each of the controls was treated in estimation as a single latent variable.

## **The survey instrument**

### *Consistency and validity*

Construct internal consistency was investigated by evaluating the computed Cronbach alpha scores. The figures in table 1 indicate that the survey instrument is reliable for testing the model presented in figure 1, as all Cronbach alphas are higher than 0.70. Construct validity was examined by evaluating the percentage of the total variance explained for each dimension, obtained by applying confirmatory factor analysis (CFA) with varimax rotation and the selection criterion that the eigenvalue should be greater than one. The percentage of total variance explained values reported in table 1 are higher than 50.0 percent indicating acceptable survey instrument construct validity (Hair *et al.*, 2008). In addition, construct validity was further examined by evaluating the average variance extracted (AVE) for each dimension, obtained by applying CFA. The AVE values reported in table 1 are higher than 0.50 indicating acceptable survey instrument construct validity (Hair *et al.*, 2008). Construct composite reliability was assessed by examining the calculated composite reliability scores. The figures in table 1 indicate that the degree of construct composite reliability is acceptable, as most reliability scores either exceed or are very close to 0.90 (Pavlou and Gefen, 2005). Construct discriminant validity was assessed by examining whether the square root of each factor's AVE is larger than its correlations with other factors. The correlation coefficients reported in table 1 are smaller than the square root of each factor's AVE, thus providing evidence for separate constructs (Hair *et al.*, 2008).

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### *Common method bias*

To reduce the common method bias threat in the survey design, we asked multiple respondents from each organisation to answer the questions of the questionnaire (Lindell and Whiney, 2001). However, taking into consideration that some correlation coefficients were rather high, Harman's (1967) single factor test was also used to examine the likelihood of common method bias threat. According to this test the simultaneous loading of all items in a factor analysis revealed seven factors, and not just one, with the first factor covering only 29.082 percent of total variance explained, thus indicating that the common method bias in the data is not a concern.

#### *Data aggregation properties*

Considering that the dataset refers to perceptions of employees at three different levels in the organisational hierarchy (i.e. senior managers, middle managers, and other employees), before any estimation was computed, the aggregation properties of the survey data on perceptions of employees into meaningful constructs were assessed. To examine the aggregation properties of the variables, three indices were used. These indices were the ICC(1) and ICC(2) intra-class correlation coefficients, which describe how strongly units in the same group resemble each other, and the RWG(J) inter-rater agreement measure, i.e., the extent to which a group of ratters will rate an attribute in the same way (see Bliese, 2000; Klein *et al.*, 2000). In particular, from the figures presented in table 1 it is seen that the values of RWG(J) are greater than 0.70, justifying strong aggregation, and the values of ICC(2) are above 0.70 in most cases and the values of ICC(1) are all significant, justifying analysis of large statistical power (Klein *et al.*, 2000). Accordingly, the values of the three indices justified the use of constructs to model ratter effects (Bliese, 2000). Particularly, for each construct the items were combined into first-order and /or second-order subsystem scores and then combined these in one system measure (Den Hartog *et al.*, 2013).

### *Statistical analysis*

To test the hypotheses, the methodology of structural equation models (SEM) was used via LISREL (see Jöreskog and Sörbom, 2004). SEM is effective when testing models that are path analytic with mediating variables, and include latent constructs that are being measured with multiple items. We assessed the overall model fit following Bollen's (1989) recommendation to examine multiple indices, since it is possible for a model to be adequate on one fit index but inadequate on many others. We used the chi-square test (with critical significant level  $p > 0.05$ ) and the normed-chi-square ratio (with critical level 1-3, 3-5, and 5-7 for very large samples and high correlations, to indicate excellent, good, or mediocre fit respectively), the goodness of fit index - GFI (with critical level not lower than 0.80, or 0.70 for complex models), the normed fit index - NFI (with critical level not lower than 0.90), the comparative fit index - CFI (with critical level not lower than 0.90), and the root mean squared error of approximation - RMSEA (with critical level not more than 0.05, 0.08, or 0.10 to indicate excellent, good, or mediocre fit respectively) (for details see Hair *et al.*, 2008).

## **Results**

### *Model estimation*

Before testing the hypotheses, a series of CFAs were performed to ensure construct validity. First, a hypothesised structure was tested, referring to six distinctive constructs. Analyses showed an acceptable fit for this structure (Chi-Square = 1136.03,  $df = 168$ ,  $p = 0.061$ , Normed-Chi-Square = 6.762, RMSEA = 0.145, NFI = 0.93, CFI = 0.94, GFI = 0.72). However, taking into consideration that correlations between some factors were high, though at levels similar to other studies (e.g. Den Hartog *et al.*, 2013; Takeuchi *et al.*, 2007; Wu and Chaturvedi, 2009), another CFA was performed referring to one construct representing the whole structure. This structure was found to fit much worse than the hypothesized structure (Chi-Square = 3774.85,

df = 189, p = 0.000, Normed-Chi-Square = 19.973, RMSEA = 0.263, NFI = 0.83, CFI = 0.84, GFI = 0.43). Then, alternative structures with combinations of fewer constructs (between one and six) were tested (Anand *et al.*, 2010) suggesting that the proposed hypothesized structure fit the data better.

Table 1 displays the means, standard deviations, consistency indices, aggregation indices and correlation coefficients of the constructs used in the study. We observe strong, positive and significant correlations between all structural constructs, supporting the hypotheses of the study. However, results based on correlations, although interesting, may be misleading due to the interactions between several variables. Therefore, in order to isolate the possible links between the variables involved in the operational model presented in figure 1, the estimated path diagram for this proposed framework is presented in figure 2. The circles represent the related latent variables and the bold arrows indicate the structural relationships between the corresponding variables. The numbers that are assigned to each arrow show the estimated standardized coefficients. The goodness-of-fit indexes confirmed the validity of the operational model (Chi-Square = 743.49, df = 294, p = 0.000, Normed-Chi-Square = 2.529, RMSEA = 0.075, NFI = 0.91, CFI = 0.93, GFI = 0.84). Finally, we must note here that although we tried all possibilities connecting controls with all the other constructs (Paauwe and Richardson, 1997), the only significant results obtained are those reported in figure 2.

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Insert Figure 2 about here  
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### *Testing the hypotheses*

Considering the data in table 1 and the estimated coefficients of the model, and applying the ModGraph software (see Jose, 2008), figure 3 presents the graphical plot of the moderation effects of ex-post negotiations and CSEs on i-deals. Figure 4 presents the graphical plot of the

moderation effects of ex-ante negotiations and CSEs on i-deals. Figure 5 presents the graphical plot of the moderation effects of i-deals and transformational leadership behaviour on employee reactions. Two parameters are important in reading the lines (i.e., relationships) presented in figures 3, 4 and 5; the relative position of the line (i.e., shift of the relationship) and the relative slope of the line (i.e., strength of the relationship).

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Insert Figures 3, 4 and 5 about here  
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With respect to the relationships in figure 3, we see that the slopes of the three lines are positive and significant, indicating that there is a positive relationship between ex-post negotiations and i-deals. This result supports the findings of Rousseau *et al.* (2009). By contrasting the relative position of the three lines it is seen that the higher the self-evaluation is, the higher is the up-wards shift of the relationship. By comparing the slopes of the three lines, it is seen that the steepest slope (the strongest positive association) occurs for employees who score high on CSEs. Although, the differences of the slopes of the three lines are small, considering that the differences of the positions of these lines are large, the results mean that core self-evaluations moderate the positive relationship between ex-post negotiations and i-deals, such that the relationship is stronger for individuals high on CSEs, thus supporting hypothesis 1.

With respect to the relationships in figure 4, we see that the slopes of the three lines are positive and significant, indicating that there is a positive relationship between ex-ante negotiations and i-deals. This result also supports the findings of Rousseau *et al.* (2009). However, by contrasting the relative position of the three lines it is seen that the higher the self-evaluation, the further down-wards is the shift of the relationship. Moreover, by comparing the

slopes of the three lines, by means of the usual t-test, it is seen that the steepest slope occurs for employees who report low on CSEs. Accordingly, considering that the positions of the three lines are significantly different, and the slopes of these lines are also significantly different, these results mean that core self-evaluations moderate the positive relationship between ex-ante negotiations and i-deals, such that the relationship is stronger for individuals low on CSEs, thus supporting hypothesis 2.

Considering further that the slopes of the relationships in figure 3 are much higher than the slopes of the relationships in figure 4, we conclude that the relationship between ex-post negotiations and i-deals is much stronger compared to the relationship with respect to ex-ante negotiations. This result further supports the findings of Rousseau *et al.* (2009). However, taking into account the levels of the standardised coefficients reported in figure 2, we observe the following: (1) the balance of negotiations among work arrangements (standardised coefficient = 0.67) and employment conditions (0.70) is the same for both ex-ante and ex-post negotiations, as it is seen by the equal standardised coefficients between ex-ante and ex-post negotiations; (2) the influence of ex-ante and ex-post negotiations moderated by CSEs shape i-deals that put more emphasis on flexible schedules (0.60) than on work tasks (0.57) or career support (0.54); (3) for advancing i-deals negotiations individuals are based more on their emotional stability (0.64) and locus of control (0.60) core self-evaluations than on self-esteem (0.44) or self-efficacy (0.42); (4) both ex-ante and ex-post i-deals negotiations are pursued more from individuals working at hotels than at travel intermediaries, as it is seen by the negative standardised coefficients of the sector control (hotels, intermediaries).

Considering the relationships in figure 5, we see that the slopes of the three lines are positive and significant, indicating that there is a positive relationship between i-deals and employee reactions. By contrasting the relative position of the three lines it is seen that the higher the perceived transformational leadership behaviour, the higher is the up-wards shift of

the relationship. By comparing the slopes of the three lines it is seen that the steepest slope occurs for organisations high on transformational leadership. Although the differences of the slopes of the three lines are small, considering that the differences of the positions of these lines are large, the results mean that transformational leadership behaviour moderates the positive relationship between i-deals and employee reactions, such that the relationship is stronger for organisations high on transformational leadership, thus supporting hypothesis 3. This result partly supports the findings of Anand *et al.* (2010), supporting that leader-member exchange moderates the relationship between i-deals and OCB. Taking further into consideration the levels of the standardised coefficients in figure 2 we observe the following: (1) developmental (0.67) has the highest contribution in transformational leadership compared to supportive (0.65) or responsive (0.64); (2) employee work engagement (0.63) has the highest contribution in employee reactions compared to employee commitment (0.62), employee motivation (0.58) or OCB (0.45); (3) these results are more influenced by larger than by smaller organisations, as it is indicated by the positive standardised coefficient of the size control; (4) integrating these results we may say that i-deals, and especially the flexibility schedules dimension has the highest impact on the work engagement and commitment of employees, being enhanced more by the developmental and supportive transformational leadership dimensions.

## **Discussion**

This research examined whether the relationship between the timing of negotiations and i-deals is moderated by the core self-evaluations of individuals, and whether the relationship between i-deals and employee reactions is moderated by transformational leadership behaviour. Our results provide support for all the hypotheses of the study. Particularly, CSE moderates the positive relationship between the timing of negotiations and i-deals, and transformational leadership behaviour moderates the positive relationship between i-deals and employee



reactions. Consequently, our findings are largely in accordance with i-deals theory regarding the employment relationship (Ng and Feldman, 2010; Rousseau *et al.*, 2006; Rousseau *et al.*, 2009). However, although the majority of studies on i-deals are based on social exchange theory, this study suggests that self-enhancement theory, in addition to social exchange is useful to explain the effects of i-deals (Liu *et al.*, 2013). In particular, the study proposes that, before hiring, individuals with low CSE will react more strongly to achieve ex-ante i-deals than individuals with high CSE. In contrast, after hiring individuals with high CSE will react more strongly to get ex-post i-deals than individuals with low CSE. This is because in the first case individuals feel that they may not be eligible to i-deals and thus they pursue harder for obtaining them, whilst in the second case individuals feel entitled to i-deals and thus they demand them. Therefore, considering that not much is known about the moderating effect of CSE (Ng and Feldman, 2010), this study treats CSE not just as another exogenous variable that predicts work outcomes (Judge *et al.*, 1998), but it explains how CSE influence the development of i-deals according to the time being negotiated. Thus, considering that research has hypothesised, but found limited support for relationships between the timing of negotiations and i-deals, moderated by CSEs (Ng and Feldman, 2010; Rousseau *et al.*, 2009), this study contributes above and beyond prior research by theorising and empirically supporting that the strength of the relationship between ex-post negotiations and i-deals is much stronger than the strength of the relationship between ex-ante negotiations and i-deals.

Additionally, based on the social exchange theory, it is usually assumed that recipients of i-deals may feel obligated to the organisation and thus are likely to reciprocate by positively reacting toward their organisation (Anand *et al.*, 2010). However, good relationships between managers and employees may enhance this positive relationship by building a positive climate in the workplace (Carter *et al.*, 2013). Taking into consideration that little research has investigated how climate factors affect the relationship between i-deals and employee reactions

(Bal *et al.*, 2012) this study suggests that transformational leadership behaviour may be used as a moderating factor in this relationship. Accordingly, the study proposes that employees react more positively to i-deals in organisations, which are high on transformational leadership behaviour compared to organisations that are low on transformational leadership behaviour. Thus, considering that research has hypothesised, but rather failed to find conclusive support for relationships between i-deals and employee reactions, moderated by organisational climate (Anand *et al.*, 2010; Hornung *et al.*, 2008), this study contributes above and beyond prior research by theorising and empirically supporting that idiosyncratic deals are a win-win case for both employees, as i-deals enable them to make arrangements to better suit their needs and preferences, and employers, by benefitting their organizations through improved employee motivation, commitment, engagement, and OCB.

#### *Implications for research*

This study is mainly focused on how self-worth influences the strength of the relationship between the timing of negotiations and i-deals, and how transformational leadership behaviour influences the strength of the relationship between i-deals and employee reactions. A major characteristic of this study is that most constructs were multi-dimensional. This was useful considering that under this design we did not follow the additive approach, in order to avoid the treatment of equal influence on the dependent variables under investigation, and thus, explore the differential effects of the different components of these measures (Jiang *et al.*, 2012). However, future research should consider a multi-path design where instead of treating constructs multi-dimensionally, each dimension should be treated as a separate construct. Therefore, consistent with theory (Rousseau *et al.*, 2006), the three types of i-deals used (i.e., task, career, and flexibility) should be differentially related to the four employee outcomes (i.e., motivation, commitment, work engagement, and OCB) (Hornung *et al.*, 2008).

The present study focused on how individual's self-worth influences the strength of the relationship between the timing of negotiations and i-deals. However, other individual differences may play a role as well (Ng and Feldman, 2010). Therefore, a multi-level approach that explicitly states the context in which i-deals are negotiated is necessary for investigating the likelihood of i-deals being successful or not (Rousseau, 2005). This multi-level approach has been rarely investigated (Lai *et al.*, 2009). Under this approach future research should consider, besides the transformational leadership behaviour, if other types of climate are also important in determining the effectiveness of i-deals (Bal *et al.*, 2012).

Idiosyncratic deals should not be treated as being monolithic (Hornung *et al.*, 2008). This is because they can take various forms depending on different contextual factors. In this study the relationship between ideals and employee reactions has been studied in the context of the Indian hospitality industry that belongs in the middle zone of negotiability. However, it is clear that more theory building is needed with regard to the conditions of employment available for i-deals negotiation.

### *Implications for practice*

From a managerial point of view, the findings presented in this study suggest a need for increased consideration to the interrelationships between individual characteristics and the timing of negotiations in determining i-deals, and between transformational leadership behaviour and i-deals in determining employee reactions. In this regard, some key managerial issues appear.

The first issue, referring to the direct and moderating effects of self-evaluation on the timing of negotiations and i-deals relationship, suggests the following: (a) managers may offer employees idiosyncratic deals in order to make their work engagement more productive, their jobs more motivated, and themselves more committed to the organisation (Hornung *et al.*,

2014); (b) considering evidence that programmes promoting flexibility benefit people and firms (Anand *et al.*, 2015; Rousseau and Barends, 2011), flexible i-deals may actually strengthen the employment relationship of employees who successfully negotiate such i-deals. In this regard, managers during negotiations should try to achieve i-deals that are primarily flexibility focused; and (c) managers should try to understand the extent of the emotional stability of their employees in order to provide flexibility and task i-deals that eventually will strengthen the employment relationship.

The second issue, referring to the direct and moderating effects of organisational climate expressed by the transformational leadership behaviour on the i-deals and employee reactions relationship suggests the following: (a) managers should realise the positive role of organisational climate for improving the effectiveness of i-deals in making employees more engaged, motivated and committed; (b) managers should follow developmental behaviour, especially when given career counselling advice which is known to be associated with higher organisational commitment (Kuvaas and Dysvik, 2010; Sturges *et al.*, 2005); and (c) managers should send messages of supportive behaviour which has been found that is an important antecedent of organisational commitment (Aselage and Eisenberger, 2003; Knies and Leisink, 2014).

Although in contemporary India many employers are often reluctant to invest into training and development of their staff because they fear that trained workers may quit and take a job with another employer (Budhwar and Varma, 2011), still this employment relationship is based on the intentions of both employees and employers. Employees believe that they can control events in a negotiation that affects them, and employers provide any emotional, instrumental, and developmental support to their employees for strengthening the employment relationship. Therefore, it is suggested that organisations consider the positive role of climate for improving the effectiveness of i-deals by making employees more engaged, motivated and

committed. This can be achieved through transformational leadership that might shape the quality of relationships between managers and employees so that employees feel well supported and develop more confidence in deploying skills and abilities to address a more open view of their idiosyncratic deals (Carter *et al.*, 2013).

However, the idiosyncratic deals processes must be closely monitored for their costs and benefits. Although it is believed that the strengthening of this relationship will contribute to organisational performance, nothing can safely be said about the costs of keeping this relationship alive over time. For example, while it is simple to estimate the direct costs for training and development, and for career development, it is rather difficult to estimate the indirect costs occurred from the disappointment of the employees who did not achieve personal deals. Although, employees who achieve personal deals may increase their performance, other employees may be frustrated, less engaged and motivated, and therefore less productive (Ng and Feldman, 2009). Therefore, differentiation among employees may be a double-edged sword as the losses among employees feeling set back in i-deals may temper, neutralise or even outweigh the benefits among those feeling advantaged (Putnam *et al.*, 2014).

### *Limitations*

This study has three main limitations that might be addressed in future empirical research. First, the data were collected using a questionnaire at a single point in time. As a result, the study does not allow for appropriately investigating dynamic causal inferences. Nevertheless, in the absence of reliable empirical evidence, this study helped to test and reveal significant linkages between core constructs in the relationship between i-deals and employee reactions. Second, both ex-ante and ex-post negotiations were reported in retrospect, raising measurement concerns about recall bias (Lippman and Mackenzie, 1985). Finally, although to extend findings of research on i-deals and exchange relationships beyond the Western context to countries such

as India, it may be considered to be strength of this study (Anand *et al.*, 2010). However, our findings may not be generalizable across borders.

## **Conclusion**

The study supports the view that i-deals generally have a positive effect on employee reactions, which can be enhanced by good quality relationships, and developed through transformational leadership behaviour. These i-deals develop before and after hiring negotiations between organisations and individuals depending on individuals' assessments of their self-worth. However, although it is supported that sustained competitive advantages may be achieved by the organization's responding to the changing needs of its personnel by engaging in on-going idiosyncratic deals (Inkson and King, 2011), organisations should carefully consider the costs and benefits of idiosyncratic deals for attracting or retaining employees. This is because a successful employment relationship depends on the extent to which both employers and employees feel they are making a worthwhile return on their investment (Boxall, 2013). Finally, although the data used refer to the Indian hospitality industry, the model connecting i-deals with employee reactions worked rather well, indicating that idiosyncratic deals are not limited to workers in countries with a high degree of negotiability in employment.

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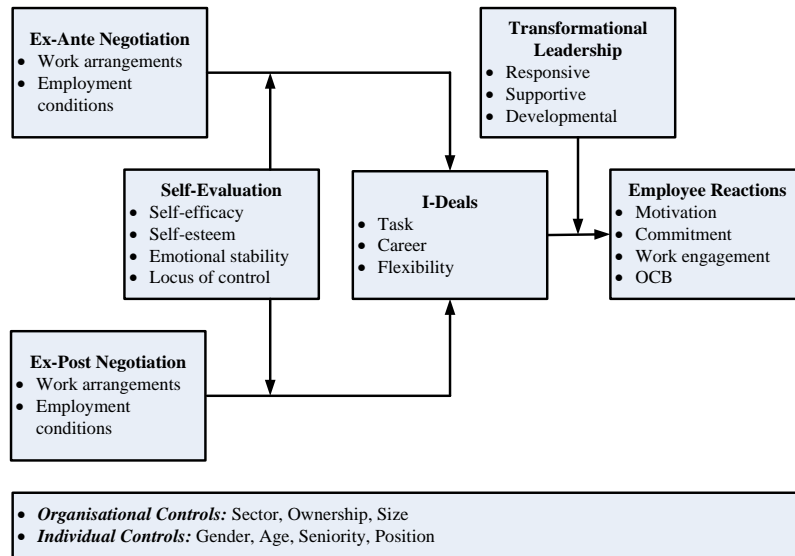
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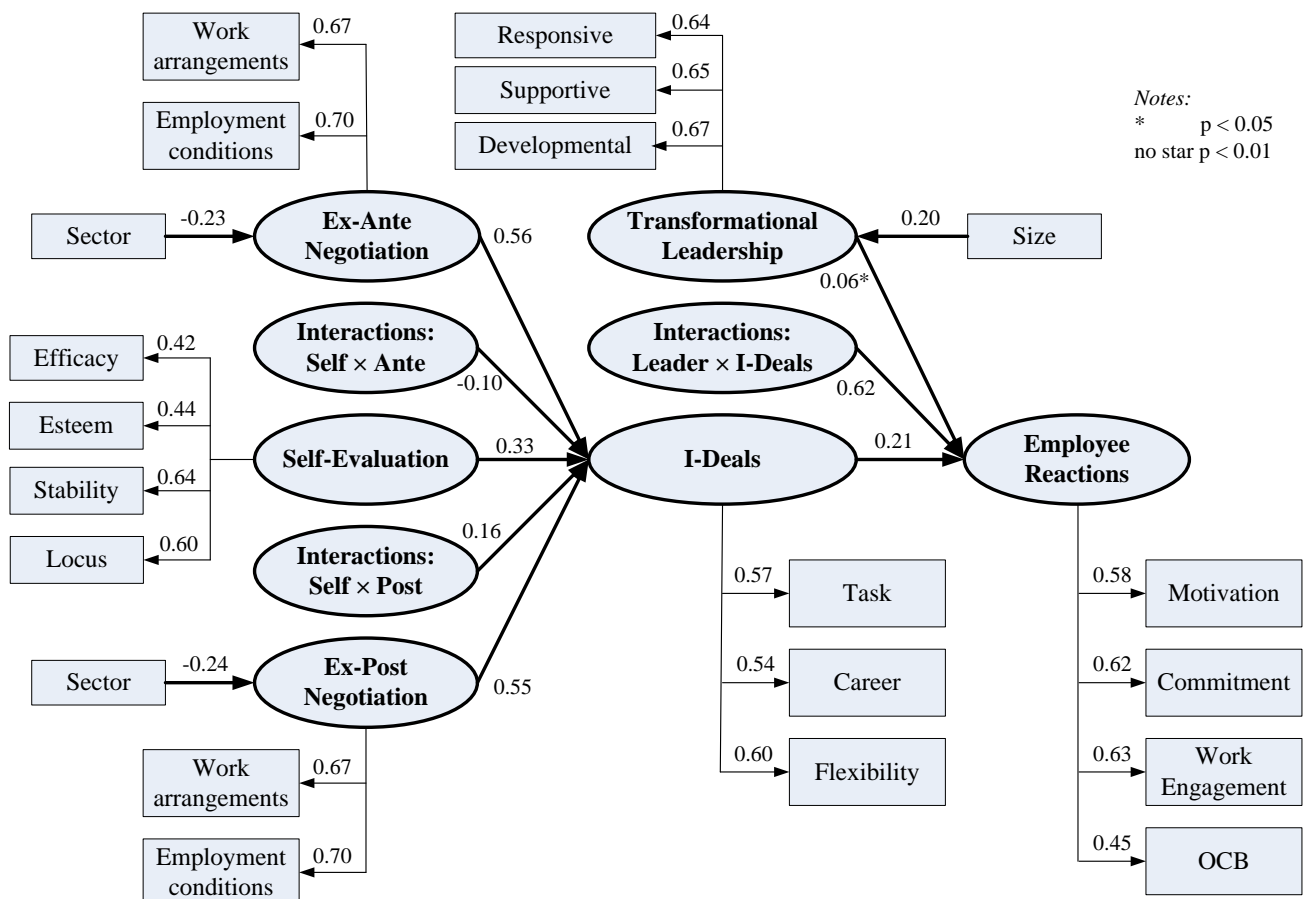
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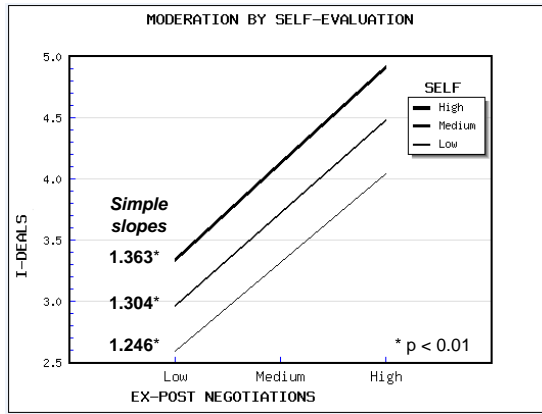




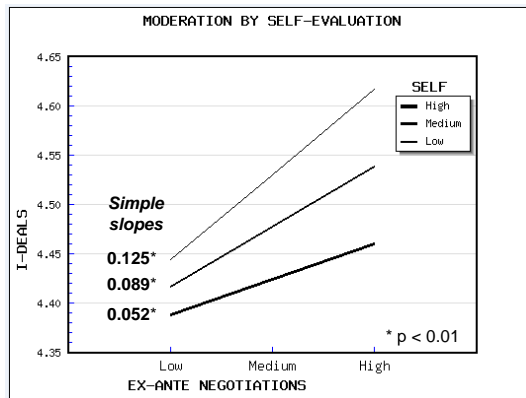
**Figure 1.** Operational Model of the I-Deals – Employee Reactions Relationship



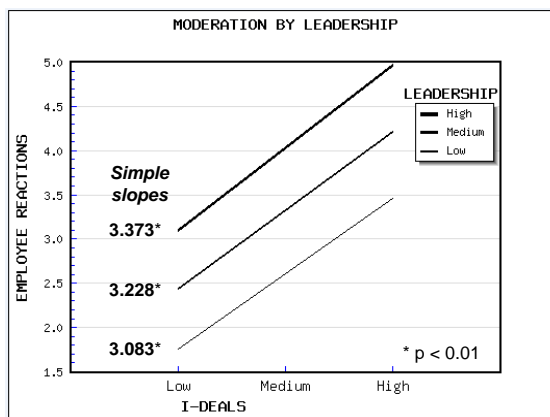
**Figure 2.** Estimation Results of the I-Deals – Employee Reactions Relationship



**Figure 3.** Graphical plot of the moderation effects of ex-post negotiations and core self-evaluations on i-deals



**Figure 4.** Graphical plot of the moderation effects of ex-ante negotiations and core self-evaluations on i-deals



**Figure 5.** Graphical plot of the moderation effects of i-deals and transformational leadership behaviour on employee reactions

**Table 1.** Means, standard deviations, consistency indices, aggregation indices and correlation coefficients of the constructs used in the study

Constructs	Means (Standard deviations)	Consistency indices			Aggregation indices			Correlation Coefficients						
		Cronbach Alpha	Percent of variance explained	Average variance extracted	Construct reliability	ICC(1)	ICC(2)	RWG(J)	Ex-Ante Negotiations	Ex-Post Negotiations	I-Deals	Employee Reactions	Self-Evaluation	Transformational Leadership
Ex-Ante Negotiations	4.754 (0.691)	0.907	91.836	0.947	0.957	0.079	0.743	0.865	1					
Ex-Post Negotiations	4.804 (0.581)	0.881	89.573	0.955	0.944	0.118	0.796	0.908	0.771**	1				
I-Deals	4.841 (0.376)	0.826	78.954	0.874	0.918	0.113	0.677	0.975	0.758**	0.746**	1			
Employee Reactions	4.849 (0.257)	0.897	77.697	0.768	0.933	0.152	0.813	0.992	0.642**	0.641**	0.708**	1		
Self-Evaluation	4.713 (0.366)	0.757	58.509	0.622	0.848	0.141	0.872	0.982	0.340**	0.315**	0.413**	0.468**	1	
Transformational Leadership	4.868 (0.333)	0.843	76.242	0.869	0.906	0.081	0.805	0.981	0.695**	0.747**	0.698**	0.683**	0.368**	1

\* p < 0.05

\*\* p < 0.01