

PSYCHOLOGICAL CONTRACT AT WORKPLACE: AN INVESTMENT

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Abstract: A collaborative workplace provides a win-win environment, a healthy investment climate, for both employees and the employers. The deployment of time, money, effort and other resources at the workplace are not mere investments, rather associated with healthy returns. This paper describes the psychological contract at the workplace, which results from the successful execution of work by collaborative efforts. It is difficult for any organization to remain competitive and sustainable without a successful psychological contract which implicitly takes care of the expectations, attitudes and behaviour of employees and managers at workplace. It takes care of the unexpressed terms of employment by recognising, interpreting and understanding them. This paper reflects the authors' interest and experience through the conceptual description of psychological contract as a wiser investment. The scope of this paper can be extended to explore and analyse the workplace effectiveness empirically.

Keywords: Collaboration, Psychological Contract, Shared Vision & Culture, Workplace

1. Introduction

There is a universal need of the hour to establish psychological contracts at workplaces. Otherwise, no organization can be competitive or sustainable. Psychological contract is a holistic approach towards managing the expectations, attitudes and behaviour of the employees and the employers at workplaces. It develops an understanding of even the unexpressed terms of employment. Thus, it is wiser to develop a collaborative environment to execute a mutually

agreed psychological contract for deploying or investing the resources. The relationship development and networking become the building blocks of reciprocity and trust in shared ideas and visions. Learning and growth also takes place in the organization as the parties of the contract co-create the values. Modern organizations are largely customer-focused, dynamic in operations, flatter in structure. The work structure and processes are transformed to more cognitively complex, technology enabled, competence based, time bound, and location independence.

A collaborative workplace demands social skills, conflict resolution and negotiation skills. Conflicts often occur about group goals, work methods, assignments, workloads and recognition. Psychological contract sets a contest at work, where employers face stiff competition for higher productivity from the employees. Organizations try to strategize human resource management to achieve a greater employee commitment towards the job. Employer-employee collaboration is the only way to handle the modern day's challenges. Team members need to deal with these problems, listen and understand different perspectives and resolve in an amicable manner to improve the working conditions.

The objective of the psychological contracts, therefore, lies in the flexibility and commitment at the workplace [1]. Following two aspects factor into the objectives by

- Managing the aspirations or expectations – a need of the hour.
- Adopting a shared work culture – shared ideas and visions; and

2. Psychological Contract – a need of the hour

While there is no one universally accepted definition of the psychological contract, most definitions tend to see it as the implicit understanding of the mutual obligations owed by an employee and their employing organisation to one another. It is a set of unwritten expectations that concerns the perceptions of both the parties to the employment relationship including the reciprocal promises and obligations implied therein. In principle, it fuels the employee morale, commitment, potential for an organization to develop and thrive. An employee's interpretation to the psychological contract is shaped by many facts and information. Human resource practices such as training and performance appraisal processes can signal promised benefits and required

contributions. Socialization of managers and workers can have pervasive effects over time on the beliefs that a worker holds. Robinson and Morrison [2] say that psychological contract breach, revenge, and workplace deviance are brought together to identify the cognitive, affective, and motivational underpinnings of workplace deviance. *Fortune* magazine does the ranking of best 100 companies to work on the basis of – Trust, Credibility, Fairness, Pride, Respect, and Camaraderie. These factors are best executed through a healthy psychological contract.

The key features of a psychological contract [3] can be listed as:

- i. Beliefs or perceptions of individuals
- ii. Implicit promises and obligations based on the observed behaviors
- iii. Perceived agreement between the employees and managers
- iv. Exchange and reciprocity as ‘part of the deal’
- v. Ongoing and evolving being continually ‘re-written’

3. Shared Culture at Work

A work culture automatically builds up in every organization over a period of time based on the beliefs and values in practice. A shared work culture is established when people believe in each other, respect each other’s ideas and views and they try to accomplish the common goals and visions obviously approved by giving their best. This offers a great support towards developing and maintaining a psychological contract. The present-day employees wish to view the mission and goals more transparent in the journey of an organization. The stakeholders of a workplace, by adopting this culture, result with increased receptiveness to change and loyalty benefiting themselves through own career and personal development as well as bringing success and sustainability to the organization. The dynamically changing market demands a flexible, but structured organization to respond to the changes in a proactive manner. Not to afford any loss of business opportunity, care must be taken that the workgroups do not compete with each other in a counterproductive way. They must cooperate and develop an effective communication system to run up, down and across the business levels in a mixed form of formal systems and informal processes. Many organizations with unions have built successful relationships between the employers and the employees helping in the effective dissemination of information, communication and facilitation of change.

4. Assessment and Analysis of a Psychological Contract

Though psychological contract is intangible execution of organizational relationship, still it has tangible impacts on the effectiveness and therefore on the competitive advantage. Effective leaders ensure that the mutual expectations that comprise the contract are understood and fulfilled so the employee-employee relationship is carefully maintained.

As classified by Rousseau [4][5] psychological contracts are of four types – transactional, relational, balanced, and transitional. Similarly, drawing on Rousseau and others, Shields [6] has developed a matrix to elaborate these four forms of the psychological contract. As a psychological audit, an attempt can always be given to assess the intangible issues on a scale, based on their effects and impacts.

For example, a survey can be conducted on measuring the expectations and their understanding on the part of employees and the managers. Both the parties may express in a four point scale –

- The expectations: highly fulfilled (3), just fulfilled (2), partially fulfilled (1), not fulfilled (0);
- The understanding through psychometric tests: fully understood including the unexpressed discussions (3), understood only the expressions or discussions (2), partially understood the expressions or discussions (1), not understood the expressions or discussions (0).

The psychological contracts can be measured as an expression in terms of a timescale. For example, the employees and the managers may express it as – very quickly realized (3), realized as per expectation (2), realized late (1), not realized at all.

The nature of psychological contract at a workplace also can be converted as an expression of how transactional – very swift (3), swift (2), slow (1), non-moving (0), similarly on the front of hassle-freeness; relational – very new trend (3), relatively new trend (2), old tradition (1), very old tradition; and/or how balanced it is – very much caring (3), reasonably caring (2), less caring (1), and not caring at all (0).

The contents of a psychological contract can be analysed by looking at the above factors of assessment and understand what employees can expect from the organization; and what

organizations can expect from the employees. This can be discussed according to the views of the employees and the managers. According to Conway and Briner [3], a higher percentage of the employees expect a safe and congenial work environment in addition to the fairness and consistency of benefits. Similarly, a higher percentage of the organizations expect the employees to work on contracted hours and a good job in terms of quality and quantity.

The social and economic environment is rapidly changing. The concept of the Psychological contract in previous times mainly focused on stability, permanence, predictability, fairness, tradition and mutual respect. On the contrary, the new contract focus is primarily a short-term relationship, with the emphasis on self-reliance, flexibility and achieving immediate results. Looking at the changing scenario, the 'new deal at work' [7] is based on intensive work across a broad range of tasks, greater variety of skills, greater accountability for outcomes, and high performance at a contingent pay without job security. Whereas, the traditional deal is based on – job security, training, development, seniority and guaranteed pay hike, other benefits and enhancements in designated working hours as per the defined job descriptions. Consistent with other studies, it is apparent that while there are similarities and differences in employees' and managers' perceptions of the terms of the psychological contract, there is substantially more agreement about the obligations owed by employees than the obligations owed by the employer. Evidently, breaches of the psychological contract can have serious consequences on employee retention, performance and productivity in every organisation.

5. Conclusion

Employer-Employee Collaboration as a psychological contract leads to building of a flexible work environment. But, flexibility has its own set of challenges while promoting creativity and innovation. Moreover, such collaborations bring better results and allow greater stability of employment through independent discussions between the employer and the employees on their rights and obligations. All the stakeholders of this contract can achieve a greater performance appraisal index and a better understanding of performance. Though, the present forms of contracts are more of transactional and about self-actualization, organizations and managers need to change and invest time and effort in the right kind of psychological contract with their employees and prospective employees.

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