

## IMPLEMENTATION OF PSYCHOLOGICAL CONTRACT IN ORGANIZATIONAL CITIZENSHIP BEHAVIOURS (OCBS)

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### ABSTRACT

The Psychological Contract' is an increasingly relevant aspect of workplace relationships and wider human behaviour.

Descriptions and definitions of the Psychological Contract first emerged in the 1960s, notably in the work of organizational and behavioural theorists Chris Argyris and Edgar Schein. Many other experts have contributed ideas to the subject since then, and continue to do so, either specifically focusing on the Psychological Contract, or approaching it from a particular perspective, of which there are many. The Psychological Contract is a deep and varied concept and is open to a wide range of interpretations and theoretical studies.

Primarily, the Psychological Contract refers to the **relationship between an employer and its employees**, and specifically concerns **mutual expectations of inputs and outcomes**.

**Organizational citizenship behaviors (OCBs)** describe actions in which employees are willing to go above and beyond their prescribed role requirements. Prior theory suggests and some research supports the belief that these behaviors are correlated with indicators of organizational effectiveness. Studies have yet to explore whether relationships between OCB and organizational effectiveness.

The inter link between the Psychological contract & OCBs are unexplainable. To form fruitful employees to an organisation, these kinds of employees have to be cultivated to reach the organisational goal very effectively.

**KEYWORDS:** Psychological Contract, OCBs

### THE PSYCHOLOGICAL CONTRACT – INTRODUCTION

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Primarily, the Psychological Contract refers to the **relationship between an employer and its employees**, and specifically concerns **mutual expectations of inputs and outcomes**.

A **psychological contract** represents the mutual beliefs, perceptions, and informal obligations between an employer and an employee. It sets the dynamics for the relationship and defines the detailed practicality of the work to be done. It is distinguishable from the formal written contract of employment which, for the most part, only identifies mutual duties and responsibilities in a generalized form.

As commercial organizations grew in size and complexity, there was a tendency to standardize rather than individualize the treatment of labour. Trade unions emerged to offer protection to ever larger groups of employees. The result was collective bargaining to define pay and conditions by reference to grades across industries and trades, and in public service. More recently, unions have lost some of their significance, leaving employees in more direct control. But societies have developed expectations of a better work-life balance, reinforced by legislation, and employers have found it in their own best interests to develop practices that respect equal opportunities and employment rights through professionalized human resource services because:

- The workforce has become more feminized.
- The workforce is better educated, less deferential to authority and less likely to remain loyal.
- The workforce is required to be more flexible to meet new challenges quickly and effectively, but this needs to change, that can be a source of insecurity.
- The use of temporary workers as well as outsourcing of projects and whole business functions also changes workers' expectations as to what they want to get out of their psychological contracts (e.g., transferable skills now vs. life-time employment before).
- Automation has both empowered a greater percentage of the workforce and allowed the emergence of Tele-working which fragments the old social orders of a single location workplace and generates greater freedom and flexibility in an ever increasing global workforce.

As we all know, organization consist of a structure through which individuals cooperate systematically to conduct business. As **Peter Drucker** has stated, “The organization is, above all, social. It is people.”(Luthans, 2002, p.16). Establishment of positive relationship and attitude among people is important for the people and the organization itself, therefore, an understanding between the individuals, the managers and the organization should be managed. Such consideration is known as “psychological contract”. Addressing into this, I aim to outline the nature of the psychological contract and discuss how the psychological contract may be managed.

Argyrys (1960, cited in Smithson and Lewis, 2003) stated the concept of “psychological contract” to refer to the future gain of the employment relationship that the employer and employee are expecting, i.e. mutual obligations, values, beliefs and aspirations that operate beyond and more than the formal contract of employment. According to Schein (1965, cited in Shore et al, 2004),“These expectations not only cover how much work is to be performed for how much pay, but also involve the whole pattern of rights, privileges, and obligations between worker and organizations”. Recent writer, Rousseau (1994, cited in Hiltrop, 1995) regards psychological contract of employment as the perceived understandings and commitments made between people and their organization.

Further, Macneil (1985, cited in Rousseau, 2001) introduced the idea of conceptualizing contracts along a relational-transactional continuum. Transactional refers to short-term arrangements that are highly monetary or economic

in focus, while relational refers to open-ended arrangements that contain socio-emotional as well as economic conditions.

### The Formation of Contract

During the recruitment process, the employer and interviewee will discuss what they each can offer in the prospective relationship. If agreement is reached, most employers will impose a standard form contract, leaving the detail of the employee's duties to be clarified "on the job". But some of the initial statements, no matter how informal and imprecise, may later be remembered as promises and give rise to expectations. Whether they are incorporated into the parallel psychological contract will depend on whether both parties believe that they should be treated as part of the relationship. The better organized employers are careful to document offers to reduce the risk of raising false expectations followed by disappointment.

In the Common Law jurisdictions, the law implies duties requiring the employees to be loyal and trustworthy. These are imprecise in their definition and uncertain in much of their operation. But, in psychological terms, issues as to whether promises and expectations have been kept and met, and whether the resulting arrangements are *fair*, are fundamental to the trust between the employee and the employer. The first year of employment is critical as actual performance by the employee can be measured against claims and promises made during the interview, and the management has begun to establish a track record in its relationship with the employee at supervisor and manager level. Feldhiem (1999) reflects these two strands by dividing the psychological contract into:

- **Transactional:** This is the economic or monetary base with clear expectations that the organization will fairly compensate the performance delivered and punish inadequate or inappropriate acts.
- **Relational:** this is a socio-emotional base that underlies expectations of shared ideals and values, and respect and support in the interpersonal relationships.

The Employment relationship develops the reality of an employment rights and duties emerges through the interpersonal relationships formed in the workplace. How employers, supervisors and managers behave on a day-to-day basis is not determined by the legal contract. Employees slowly negotiate what they must do to satisfy their side of the bargain, and what they can expect in return. This negotiation is sometimes explicit, e.g. in appraisal or performance review sessions, but it more often takes the form of behavioural action and reaction through which the parties explore and draw the boundaries of mutual expectation. Hence, the psychological contract determines what the parties will, or will not do and how it will be done. When the parties' expectations match each other, performance is likely to be good and satisfaction levels will be high. So long as the values and loyalty persist, trust and commitment will be maintained. The map followed by the parties is the development of an individualized career path that makes only reasonable demands on the employee, with adequate support from managers and co-workers, for a level of remuneration that is demonstrably fair for a person of that age, educational background, and experience. Motivation and commitment will be enhanced if transfers and promotions follow the agreed path in a timely fashion.

If managed effectively, the relationship will foster mutual trust between the parties, matching the objectives and commitments of the organization to those of their employees. But a negative psychological contract can result in employees becoming disenchanted, de-motivated and resentful of authoritarianism within the organization. This will result in an increasingly inefficient workforce whose objectives no longer correspond to the organization they work for. The main

cause of disappointment tends to be that middle managers are protective of their status and security in the eyes of their superiors, and this can introduce conflicts of interest when they are required to fulfil their obligations to their subordinates.

**Breach of the Psychological Contract**

Psychological contract breach may occur if employees perceive that their firm, or its agents, have failed to deliver on what they perceive was promised, or vice versa. Employees or employers who perceive a breach are likely to respond negatively. *Responses may occur in the form of reduced loyalty, commitment, and organizational citizenship behaviours (OCBs).* Perceptions that once psychological contract has been breached may arise shortly after the employee joins the company or even after years of satisfactory service. The impact may be localized and contained, but if morale is more generally affected, the performance of the organization may be diminished. Further, if the activities of the organization are perceived as being unjust or immoral, e.g. aggressive downsizing or outsourcing causing significant unemployment, its public reputation and brand image may also be damaged.

“Manager–subordinate mismatch may also cause a breach of the psychological contract.”

**Types of Psychological Contract**

On the other hand, Rousseau (2000) has tried to quantify aspects of psychological contract with the formulation of the Psychological Contract Inventory (PCI). With this method, Rousseau claimed that psychological contract can be measured from a variety of perspectives, i.e. etic and emic perspectives. The first is used to assess the extent to which workers undergo a “transactional” or “relational” arrangement with their employer, while the latter is used to provide a qualitative description of the idiosyncratic meanings attributed to the employment. These assessment can be drawn into a typology characterizing employment arrangements along the dimensions of duration (short-term vs. open-ended) and performance-reward contingencies (highly contingent, low or non-contingent) which exposes observed variation in psychological contracts across people and firms (Figure 1). Rousseau also sub-divided each dimension into conceptually homogeneous components to labor those four dimensions to create a high validity (Figure 2). In spite of this, it still can be argued that the dimension of psychological contract is so broad and it’s too simplistic to analyze and categorize them only in two general types of measure.

Figure 1  
Types of Psychological Contracts

		<u>Performance Terms</u>	
		Specified	Not Specified
<u>Duration</u>	Short-term	Transactional	Transitional/ No guarantees
	Long-term	Balance	Relational

### Shifting Dimension of Psychological Contract and Its Management

Global competition has urged companies to create efficiency and better productivity in term of cost and selling revenue. As Hiltrop (1995) noted, the nature of the psychological contract has changed in recent years, particularly in job security offered to employees. Cost cutting, productivity improvement and workforce reduction has been major issues for companies to establish a flexible and a slimmer organization in order to be able to struggle in global market competition.

A study by Smithson and Lewis (2000) indicates that this circumstances lead to a “growth in non-permanent employment contracts throughout most of Europe” rather than long-term permanent contracts. It leads to “job insecurity” among young adults. This study shows that most people want a permanent contract and job security in term of good salary and other benefits from their employer. However, this study is only have strong effect on white collar workers and may not be generalized to all regions.

These circumstances have led many people experience a sense of restiveness inside themselves and in relation to their employers. The relationship may not last as neither party has incentive to contribute anything to the other and there are no promises of potential benefit in the future (Robinson and Rousseau, 1994).

Keywords used by 104 middle managers to describe the relationship between an employer and employee. Additionally, Hiltrop (1996) has noted some key words used to describe the shift relationship between employer and employee (Figure 3). The key-words used to describe the old contract were “stability, permanence, predictability, fairness, tradition and mutual respect”. In contrast, the new contract was described as “primarily a short-term relationship, with emphasis on flexibility, self-reliance and achieving immediate results”. It would appear that a “self-reliance” orientation increasingly pervades the employment relationship.

According to Hammett (1994, cited in Hiltrop, 1995), professional staffs who are working in such demanding environment tend to have more needs on contribution in their working environment, more access for development, autonomy, flexibility and challenging work experiences. As Hiltrop (1995) has proposed, this stage means that organizations should put more efforts to make themselves appealing places to work for their employees. Typically, organizations will offer a continuous employment, annual salary increases, and slow but steady advancement. However, since the state of affair today has changed into a ‘self reliance’ orientation where flexibility and adaptive to change ability is highlighted, professional workers will attempt to improve and sell themselves to the higher bidder. At the same time, with the evolving economic situation (inflation, high unemployment), the employees’ expectations are also changing. These situations should be managed well to avoid negative impacts on the organization’s performance.

At this point, organizations might be harmed by losing its most valuable employees. In order to avoid such human resource problem, organization should be able to manage it. On another circumstances, it could be the organizations that make a violation on its workers. Violation of the contract could take several forms, one of which takes place when one party is unwilling to honor its side of the contract (Rousseau, 1995, cited in Atkinson, 2002).

Stalker (2000, cited in Dharmawardena, 2002) suggested that companies which are successful are the ones that manage to balance the unwritten needs of their employees with the needs of the company. Companies then need to invest time, effort and where needed money to make certain that this balance is achieved. Organization must also have the capabilities to motivate, develop and retain competent employees.

Therefore, a management strategy and career planning need to be established to get employees to accept the concept of employability rather than employment (Atkinson 2005). However, Atkinson also found that failure to implement career management strategy would lead to a worsening of the psychological contract, with consequent negative implications for motivation.

### **Improving Strategies**

The trouble-free key to such issues mentioned above is creating a commitment from the employees. Rousseau (1995, cited in Kingshott, 2005) noted companies should be able to make the employees loyal and have commitment. Employees will remain committed to the relationship because of their belief that such promises bind them to some form of future action. A study done by Maguire (2002), shows that “fulfillment of the psychological contract in both transactional and relational terms influenced employee commitment”.

Such commitment can also be achieved through a relational contract based on continuous learning, demonstrating fundamental respect for the individual, valuing the employee and offering loyalty to individuals based on performance and development and reward of this. (Hall and Moss, 1998, cited in Atkinson, 2002).

Hiltrop (1996) also proposed some activities that can be done in order to cope with the changing psychological contract now and in the future, for instance:

- Provide realistic job previews;
- Offer challenging work experiences;
- Balance professional and organizational relationships;
- Reward and recognize high achievement;
- Create or strengthen the firm’s staffing systems.

In addition, Moss Kanter (1994) suggested that companies need to switch incentives to careers, status and promotion to personal reputation, teamwork and challenging assignments. Companies should find ways to create a challenging and involving tasks so that it becomes a source of loyalty which translates into a new kind of security, called ‘employability security’. This is the promise that the employee’s skills will be enhanced and access to other tasks and assignments will be facilitated.

### **Organisational Citizenship Behaviours (OCBs)**

Organizational Citizenship Behaviors (OCBs) are a special type of work behaviour tightly inter-related with Psychological Contract. OCB is defined as individual behaviours that are beneficial to the organization and are discretionary, not directly or explicitly recognized by the formal reward system. These behaviors are rather a matter of personal choice, such that their omission are not generally understood as punishable. OCBs are thought to have an important impact on the effectiveness and efficiency of work teams and organizations, therefore contributing to the overall productivity of the organization. OCBs are often considered a subset of contextual performance.

A Model of OCB and Organizational Effectiveness Organ (1988) defined OCB as behaviors that are “discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promote the effective functioning of the organization”. He identified five categories of OCB:

- **Altruism:** The helping of an individual coworker on a task.
- **Courtesy:** Respecting other employees.
- **Conscientiousness:** (Carrying out the duties beyond the normal limits.
- **Sportsmanship:** Refraining from complaining about trivial matters, and
- **Civic Virtue:** Participating in the governance of the organization.

## CONCLUSIONS

Global economic development has led to a shift in psychological contract in both the company and the employee. Increasing competition and changing expectations among employees create complicated psychological issues to unravel. So perhaps creating good citizenship among employees has become very difficult.

Although a management strategy has put in effort to lessen the negative impacts, organizations and their managers need to be more aware of it. According to Maslow's hierarchy, the maximum need for humans is self actualization; therefore, a bottom-up channel of communication needs to be open to take account of employees' perspectives and perceptions in designing work-life policies and practices. Furthermore, regular training and performance based rewarding system are also necessary to be exercised to enhance employees' commitment. These all inputs will create beautiful working environment in an organisation.

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