

Short Communication

Do Organisational Managers Understand Psychological Contract

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Abstract

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This is a desk study which analysed the effect of psychological contract and employee performance in organisation. Numerous variables that led to psychological satisfaction were identified and perceived contract examined. My hypothesis was that psychological contract; it is a perception issue and looking at various literatures, it was revealed as a perception. It was further concluded that such perception compel obedience and hence performance in organisations.

Keywords: Psychological contract, performance organization, managers, employee performance, perception

INTRODUCTION

Today employees' long term contract in relation to loyalty has changed (Robinson 1996). Psychological contracts are taking effect in organisations. Psychological contracts are brought about by the social exchange theory as postulated by (Blau, 1964). Cullinane and Dundon (2006:114) concur that employment contract are influenced by social and economic exchange. Psychological contract has no universally accepted definition (Cullinane and Dundon, 2006:115). Psychological contract refers to employees' perception of what they owe to their employers and what the employer owes to them (Robinson, 1996:574). Farnsworth (1982) defines psychological contract as ones' commitment to future action. Psychological contract is an individual's belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party (Rousseau, 1989). Rousseau (1995) contends that psychological contract as individual's expectations regarding the obligations that exist between an employee and an organization. Psychological contracts, is a belief employee have on the expectation of what their employer will provide, or should receive, because they perceive that their employer conveyed promises to provide those things (Robinson, 1996: 575). The challenge with psychological contract is that parties

at contract don't have equal bargaining power (Cullinane and Dundon, 2006:119)

Psychological contract trust and breach

Psychological contract breach is subjective (Rousseau, 1989). Rousseau (1989) contends that psychological contract is one's belief that the other party has failed to fulfil the promise. Robinson (1996: 576) argue that psychological contract breach is the employee belief that a breach has occurred that affect the employees attitude or behaviour regardless of whether the breach is valid or it actually took place. Unions, with no clear definition (Bashira and Nasir, 2013) help to raise workers "voice" (Kaufman and Taras, 2000).

Psychological contract and employee morale

Thomas, Feldman and Butts (2013) contend that, psychological contracts breach is employees' perceptions of the extent to which employers have failed to fulfil their obligations or promises. Such failure has a strong motivation effect. Cullinane and Dundon (2006 :116)

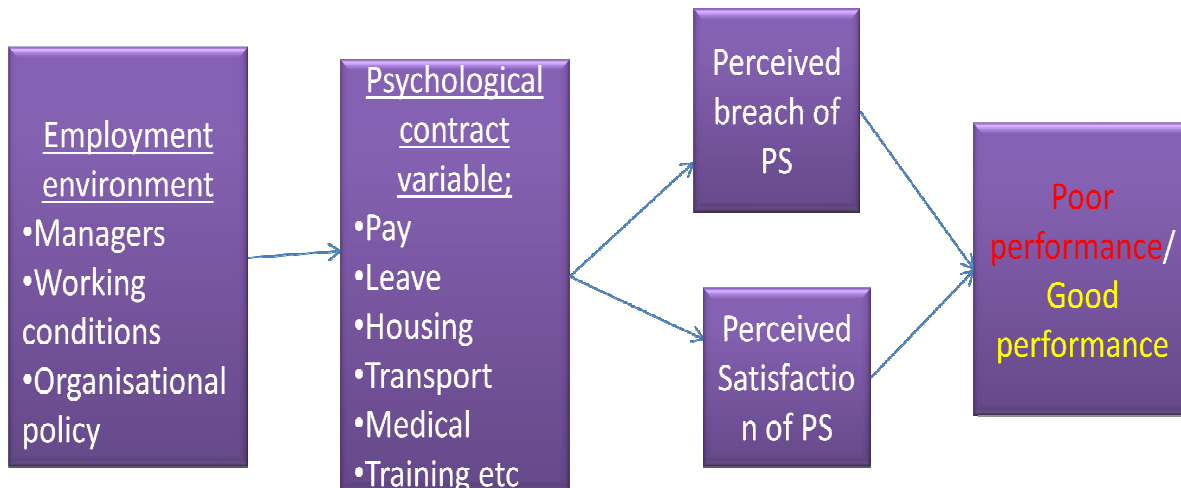


Figure 1: Model of psychological contract behaviour

Source: Author, 2013

have argued that employee's perception of breach can lead to a feeling of injustice or betrayal which dwindle their morale. Employees with different understandings of their psychological contracts respond differently to contract violation and to organizational change (Cullinane and Dundon, 2006:116). Agarwal & Bhargava (2013) contend that psychological contract breach is the cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions.

Psychological contract and engagement

Agarwal & Bhargava (2013) defines work engagement as a persistent and positive motivational state of employees. The engagement is precipitated by their belief that the employers will fulfill their expectations and create effective commitment (Zhao, Wayne, Glibkowski and Bravo, 2007). Guest (2004:544) argues that the engagement is premised on the social exchange theory. Employee engagement is supported by unionization (Bashir and Nasir, 2013). Unions play a significant role in mediating psychological contract breach conflict and have profound influence on employee wellbeing (Krecker and O'Rand, 1991). Argyris (1960) and Rousseau (1989) argue that breach of psychological contract can yield distrust, dissatisfaction, and dissolution of engagement relationship. Ultimately, the breach dissolves vigour, dedication and adoption as dimensions of engagement (Cullinane and Dundon, 2006). The engagement relationship is assumed to be understood and accepted by both parties (Robinson and Rousseau, 1994). Consequently, the engagement relationship is affected by many factors. For example, education levels (Bellou, 2009).

Psychological contract and education levels

Bellou (2009) argue that individual with higher academic accumulation in terms of knowledge and experience value so much their investment expressed in how much time they have put in to study and the opportunity cost of their investment as some called it. Thus, they would expect organisations to remunerate them commensurate to their investment. In some situation such workers believe they are being undermined and that there is a breach of their psychological contract to perform better. (Figure 1)

CONCLUSION

In conclusion the psych of a person determines very much how he/she will contribute towards organisational performance. Therefore organisational managers must be prepared to undertake contracts with the physical person but as well dig out the psychological person to understand what compels individual to behave the way they do. It should be every manager's responsibility to technically learn this in order to help their organisations to realise their goals since organisations work through people.

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