

THE PSYCHOLOGICAL CONTRACT - A CHALLENGE FOR LEADERSHIP

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Abstract

In times of economic crisis and social change will be difficult for employers to fulfill their part of the psychological contract, changes that will influence the way that employees feel and act towards employers. The psychological contract helps by explaining these changes, by indicating ways of approaching and consolidating them. These kinds of changes have validated and accredited the psychological contract as functional for the employee. Therefore, it's important to maintain the psychological contract to ensure a healthy and lasting relationship, a fulfilled psychological contract will lead to higher work satisfaction and productivity.

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1. Introduction

The psychological contracts are defined by Rousseau in 1989 as individuals' beliefs regarding the terms and conditions of an exchange agreement between them and their organizations (Rousseau, 1989). Rousseau mentioned in 1995 that a psychological contract describes: a subjective perception, it is dynamic, described by mutual obligations and is closely related to the employment relationship (it does not exist outside the employment relationship). It depends on the organizational degree of faith and trust (Atkinson, 2007). If the employees perceive that the organization treats them fairly, respects their efforts and offers them appropriate reward, they will feel

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compelled to work harder and avoid harming the organization in order to reciprocate the behavior. The psychological contract generates stability in the work environment and will improve the relationship between employee and employer (Beardwell, Holden & Claydon, 2004; Karagonlar, Eisenberger, & Aselage, 2016; Low, Bordia, & Bordia, 2016). This is the reason why the proactive development of the employee is continuous and mandatory. The emotional aspects of employees are influenced by their work experience and job characteristics and the employees will feel emotionally attached because they appreciate that the organization is with them and rewards their contributions. The psychological contract is important for every organizational framework because it creates the image of which the employee wants to be part.

In times of economic crisis and social change will be difficult for employers to fulfill their part of the psychological contract, causing changes that can contribute to the way employees feel and act towards employers. The psychological contract helps by explaining these changes, by indicating ways of approaching and consolidating them. These kinds of changes have validated and accredited the psychological contract as functional for the employee (De Lange, Van der Heijden, De Jong & Schaufeli, 2011). In such a period it is important to maintain a psychological contract that will play a important role in ensuring a healthy and lasting working relationship, a fulfilled psychological contract will lead to higher work satisfaction and productivity.

In a recent study on relational leadership, analyzing the leader-member exchange relationship and the psychological contract, the authors (Hill, Morganson, Matthews & Atkinson, 2016) mentioned that high quality leader-member relational exchange can balance the negative effects of the violation. psychological contract. As a result, the psychological well-being of the employee will be affected, influencing the turnover. Jiang, Chen, Sun și Yang (2017) discovered that authoritarian leadership increases the deviant behavior of employees by breaching the psychological contract and through organizational cynicism. The studies coordinated by McDermott, Conway, Rousseau and Flood in 2013, identified that leadership style is the basic premise for psychological contract fulfillment or breach. Biswas (2016) mentioned that the violation of the psychological contract will generate effects on organizational citizenship behavior and organizational cynicism.

2. Psychological contract - a sense-making process

Most of the research focused on analyzing the breach and fulfillment of the psychological contract (Conway & Briner, 2005; Lester, Turnley, Bloodgood, & Bolino, 2002; Robinson & Morrison, 2000; Turnley, Bolino, Lester & Bloodgood, 2003), and less on the process of its formation. Robinson, Kraatz and Rousseau (1994) found that new entrants considered that they owed less to their employers, who could change their psychological contract depending on the reality they face.

Louis (1980) present the process of psychological contract formation as a sense-making process witch develops during organizational communication and when passing organizational culture from senior employees to the new ones.

The central element in the psychological contract's concept is that it represents perceptual knowledge that exists "in the eye of the beholder" (Rousseau, 1989); a relevant aspect in studying the psychological contract's formation from a sense-making perspective.

The socialization period during the employee's development is an important stage of the psychological contract's formation (Rousseau, 1995). Studies regarding employee formation show, in this period, sense-making plays an important role in new entries adapting to the organization, especially in the first month of employment (Saks & Ashforth, 1997). They assume that a psychological contract reflects an exchange process (Millward & Brewerton, 1999; Rousseau, 1995). The first experience of entering the organization is characterized by sense-making processes through which new employees will understand, analyze and adapt to the new environment (Louis, 1980).

Sense-making refers to the cognitive processes that individuals use in organizational settings to cope with surprise and unknowns (Louis, 1980). These processes are considered critical for the development of attitudes and behaviors that allow new employees to function efficiently in their new work environment (Bauer, Morrison, & Callister, 1998; Saks & Ashforth, 1997). After hiring, newcomers participate in events that may change their expectations and expectations about future experiences are reviewed (Luis, 1980). This process begins before joining the organization when future employees develop anticipations and assumptions about the future employment relationship.

The expectations with which new recruits enter the organization and the subsequent revisions of these expectations are similar to changes in cognitive patterns; formed mental schemas, models the information received, analyzes the stored information and develops new inferences (Meyer, Bobocel, & Allen,

1991). The psychological contract belongs to the individual, which means that the perception of reality, not reality as such, is important and employees develop the contract mainly on personal experiences in the organization (Rousseau, 1995; Schalk & Freese, 2008).

In fact, this represents the psychological contract's formation as a sense-making process of the young recruit. Limited or incomplete information about the terms of their employment relationship motivates new employees to actively interpret their experiences as a medium for predicting future events, which should help them reduce uncertainty and make their experiences more predictable in their new job.

This sense-making process implies that perceptions about promises are formed on the basis of the newcomer's interpretations from their work experience (Rousseau, 2001). In this context, organizations are required to pay attention to the first experiences of newcomers in the new employment relationship, and active communication between employee and employer is the key to forming a strong and stable psychological contract.

Organizations need to communicate goals and organizational requirements so that employees are able to provide appropriate feedback. This is the norm of reciprocity described as a central element in explaining the dynamics of the psychological contract, reciprocity acting in the stage of formation of the psychological contract explaining changes in perceptions of newcomers (Rousseau, Hansen, & Tomprou, 2018).

3. Breach and fulfillment of psychological contracts

As with employment contracts, psychological contracts become dysfunctional when the contracting parties fail to fulfill their obligations. Such situations refer to breach or violation of the contract. The psychological contract is continuously evaluated by the employee, and where such evaluations lead to the conclusion that the organization does not keep its promises, then it is considered that it is violated. The psychological contract involves a continuous assessment of working relationships by the employee (Robinson, Kraatz, & Rousseau, 1994), and where such assessments lead to the conclusion that the organization does not keep its promises, then it is considered that this contract is breached.

Early research on psychological contracts used the terms breach and breach of contract interchangeably (Rousseau, 1995). Rousseau, who stated that the violation refers to the inability to comply with the terms of the contract, the

way employees interpret the circumstances of this non-compliance determines its quantification as a violation of the psychological contract (Rousseau, 1995). Violation of the psychological contract is not opposed to performance, since employees can report both the existence of the violation and a degree of performance, reflected in that the organization can be perceived as complying with part of the terms of the contract (Rousseau & Tijoriwala, 1998).

Breach of contract describes the situation in which employees perceived that the employer failed to meet the expectations of the psychological contract, while breach of contract is the situation of breach of contract that will be followed by intense emotional reactions (Morrison & Robinson, 1997). According to Morrison and Robinson (1997), Zhao and his research team differentiate between breach and breach of contract, where breach is a significant event at work, and breach a manifestation of the emotional reaction of the person facing with the violation (Zhao, Wayne, Glibkowski, & Bravo, 2007).

Conway and Briner (2005,) note that employees during their contract period may face breaches of contract but only some situations will be followed by intense emotional reactions that qualify as psychological contract violations. Violations are more stronger and more destructive than breaches (Jensen, Opland, & Ryan, 2010). The intensity of emotional reactions is influenced by the perception of the importance of the broken promise and issues related to organizational justice (Conway & Briner, 2005; Jensen et al., 2010).

People with a high level of trust tend to ignore certain incidents, looking for rational reasons and concluding that such actions could not be controlled by the organization; while employees with a low level of trust will further label the organizational incidents that lead to the psychological contract (Atkinson, 2007). Fulfillment means how well an organization fulfills employees' psychological contracts and is defined as "an extent to which one side considers that the other side has fulfilled its obligations" (Lee, Liu, Rousseau, Hui, & Chen 2011, 204).

When the employee perceives that he has received what he was promised, we face the fulfillment of the contract. Benefits received in the form of salaries, rewards or other incentives can be assessed objectively (they are somewhat tangible), social benefits such as organizational support, career development opportunities are intangible and will be assessed subjectively. An increased degree of fulfillment will not lead to a low degree of breach of

contract, or vice versa; it is possible for organizations to fulfill certain elements of employees' psychological contracts, but to violate others.

In other words, it is possible for an employee to face both the breach and the fulfillment simultaneously, and it is also possible for a breach of contract to cause the organization to become more involved in the relationship with employees, which in fact describes a compensatory measure by the organization (Shore, Coyle-Shapiro & Chang, 2018). Psychological contracts fulfillment can generate changes for employees: (a) affective (positive feelings, loyalty); (b) attitudinal (trust, organizational commitment), and (c) behavioral (organizational citizenship behavior) (Conway & Coyle-Shapiro, 2012; Guest, 1998; Henderson, Wayne, Shore, Bommer, & Tetrick, 2008; Kickul, Lester, & Finkl, 2002; Tekleab & Taylor, 2003; Turnley et al., 2003; Zhao et al., 2007).

4. Conclusions

In a world where individuals have to navigate between multifaceted employment relationships, which may or may not be built within the boundaries of organizations, unraveling the notion of psychological contract between employees and employer is essential for its applicability and relevance to the future of work.

As long as there is an employment relationship, we are also talking about the psychological contract and there are many individual, organizational and social factors that will influence the number of psychological contracts that an individual can have (Baruch & Rousseau, 2019). For example, the Internet has allowed labor relations to become much more flexible and to grow beyond the legal, economic, temporal and spatial constraints of traditional forms of employment. An increasing number of people are also choosing hybrid careers or working on different projects in different sectors and partnerships. Many employment relationships extend beyond the boundaries of a single employer organization, and on the other hand, some people work completely outside the boundaries of formal organizations (Heejung, Vissa, & Pich, 2017). In this context, the question will arise as to how psychological contracts will be viewed in the future.

5. References

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