

# THE MANAGEMENT OF THE PSYCHOLOGICAL CONTRACT, IS IT POSSIBLE? THE EXPERIENCE OF AUTOMOTIVE INDUSTRY IN ROMANIA

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## Abstract:

Defined as being all the promises which play a role of obligations between the employee and the employer (Rousseau, 1995), the psychological contract (PC) became in the last two decades an essential instrument of employment relation analysis. However, the management of the psychological contract idea is recent and became important under the pressure of the economic crisis which has shaken especially Europe in the last five years.

This presentation reveals the 2010 qualitative research results conducted in Romania, in two companies of the automotive industry in Sibiu area.

Based on 31 interviews with employees and managers, we analyzed how the change in the Romanian economic and social environment changed the employment relationship in automotive industry. We noticed that, to avoid the employee's breach feeling, the participating companies implemented a rigorous psychological contract follow-up which is an expression of a preventive behavior or PC rupture avoidance.

This prevention behavior is based on the promise's level reduction, on the open discussion of PC terms at the recruiting time and on a permanent organizational communication. This is also based on the several PC terms arrangements in order to encounter several types of the employee's preferences.

Our presentation is completed by proposing various lines of reflection in order to use these results in the current management practice.

**Key words:** employment relationship, psychological contract, change, breach, preventive behavior

**JEL Classification JEL:** M1

## 1. Introduction

Defined as « the set of promises which play the role of obligations between the employee and his employer » (Rousseau: 1995:5), the psychological contract has become in the last three decades a strong instrument of employment analysis”.

Numerous researches made in the area of the psychological contract proved its influence on the behaviours and attitudes at work. Thus, the perception of the employees that the organization kept its promises by offering what it had promised (e.g. *fulfillment of the psychological contract*) resulted in the work satisfaction (Turnley&Feldman: 2000), in the productivity and in the intention of continuing the collaboration with the same employer (Dabos & Rousseau: 2004) and in the performance (Bal, Chiaburu & Jansen, 2010; Wilkens & Nermerich, 2012). The respect of the promises of the psychological contract has also important effects on the mood of the employees, on their motivation at work, on their well-being (Guerrero & Herbach, 2008; Parzefall & Hakanen, 2010) and on their personal identity (Henderson et O’Leary-Kelly, 2012). On the contrary, as the meta analysis of Zhao *et al.*, (2007) shows, a perception of the employees that the organization failed in keeping its promise (e.g. *the break of the psychological contract*) was related to a decrease of the satisfaction at work, of the work involvement and to an increase of the intention of leaving the organization. The break may as well lead to counter-productive behaviours for the organization from the part of the employees (Bordia, Restubog & Tang, 2008; Jensen, Opland & Ryan, 2010).

The core of the psychological contract theory contains the analysis of the psychological contract process. This process begins with the judgment of the employee regarding the relation between his own work contribution and the reward of these

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contributions by the organization. Following this comparison process, the employee may conclude that his employer kept his promises or not. In the latter situation, the employee could experience a feeling of breach or, later on, of violation of the psychological contract. It is on this aspect that most part of the literature on the psychological contract is concentrated.

Even though some researches mentioned the importance of getting interest in the formation of the psychological contract (for instance Rousseau, 1995; Dulac, 2005), this view remains descriptive and theoretical, without trying to study the practical side of this stage which is, however, very important for the later development of the psychological contract process.

Within the frame of this communication, following the example of Coyle-Shapiro & Parzefall (2005), we forward the idea that enterprises could administer the psychological contract that they develop with their employees. Thus, we are trying to answer the following research question:

**“Is it possible that the organizations learn how to efficiently manage the psychological contract which develops between them and their employees and which would be the means to do it?”**

## **2. Theoretical background**

Researches on the psychological contract have proved that the psychological contract represents a perception which evolves in time according to the life of the individual, which makes us believe that the organization could interfere in this evolution by changing it with a view to meet the employees' expectations.

Thus, according to Dulac (2005), there are several stages in the development of the psychological contract. The first one starts even before the individual enters the organization. This is called “the stage of the anticipatory socialization” (Dulac: 2005: p. 78). In this stage, the employee possesses an “anticipatory psychological contract”, based on expectations and suppositions engendered by experiences which were previous to the organizational entrance. The experience comes from family-related, professional or even society-related socialization (Dulac: 2005).

In this approach, the anticipatory psychological contract would represent an incomplete schema which a person possesses with regard to a possible future workplace and with regard to the obligations that he/she and the organization could assume in a mutual relationship. This schema starts to be completed by the interactions that the new employee has with the recruitment and selection agents. This information exchange facilitates the formation of the anticipatory expectations regarding the level of obligations and promises included in the psychological contract.

Subsequently, the employee will be in the stage of “meeting” which starts once he has entered the organization and lasts for a few months (Nelson *et al.*, 1991). During this stage, the employee has the opportunity to relate with several organizational agents (e.g. colleagues or managers) and to submit his psychological contract schema to the organizational reality. Thus, the schema changes in order to become more stable.

According to Tomprou et Nikolau (2011), several intervention factors play roles in the creation of the psychological contract after the organizational entry. The first factor is represented by the “contract makers” (p.345), the people who has the power in the organization, like the supervisors and the directors. They represent sources of promises which the new employee finds worthy of confidence, sources which outdo the other source of information, the colleagues. However, the colleagues play the role of “facilitators” helping the newly arrived to understand the values and the social relations which are promoted by the organization.

Finally, during the “change and acquisition” stage, the schema of the psychological contract of the employee changes itself, following the environmental information and the behaviour of the organization towards him, in order to become more structured and more stable (Dulac: 2005). According to some opinions, once finished, this schema would become rigid and little open to change (Rousseau: 2001). On the contrary, according to other opinions, the psychological contract schema may be adjusted, following a process of fitting/adjustment between the employees and the organizational agents (Schalk: 2004).

Based on this view, we proceeded to the analysis of the psychological contract in the automobile area in Romania. Our hypothesis is that the psychological contract represents a stable but flexible schema which can be modified if adequate interventions are done by the enterprises.

### **3. Research methodology**

This paper presents some of the results that we obtained after making a qualitative research in 2010 in two automobile industry enterprises situated in the region of Sibiu, in Romania.

Within the frame of the research, we went to interrogate 31 people, 15 managers and 16 employees regarding their perception on the psychological contract in their enterprise and on the way in which the changes that Romania has been going through for more than two decades influences this perception.

More approaches were developed in the qualitative research (Creswell: 2013). In order to make the research, we appealed to the Grounded Theory (Charmaz: 2006). According to this theory, the researchers try to find information to identify a model which would be able to complete the existing theory.

Within the frame of this theory, after the transcription of the interviews, we analyze the data according to the coding level. The first level, the Open Coding reports of the results called “first coding level”. Consequently, the researcher chooses some codes which he considers to be more encompassing and synthetic with respect to the analyzed subject. It is the Axial Coding. In the last stage of coding the theoretical or Selective Coding, the elements composing the new model are revealed by the researcher.

### **4. The results of the research**

The objective of the research which we made in 2010 in the two enterprises of the automobile sector in Romania was to see which the perceptions of the psychological contract were at that time and which were the mechanisms that have supported its transformation in the last two decades. Thus, we appealed to a cross study in order to answer this question.

As the design of our research does not have a longitudinal character, we were not able to make an analysis which could cover all the stages of transformation of the psychological contract, the way there were treated in the literature and presented in the methodology of this research.

On the contrary, this design of research let us understand the way in which the psychological contract was modeled and adapted by the enterprises which participated in the study, to the new environmental circumstances of the Romanian auto industry. These enterprises were obliged to adapt their politics and procedures concerning the human resource management to the high demands of an industry which is based on quality and performance.

We concluded that, in the case of the sample which we analyzed, there was an activity of the management of the employees’ psychological contract by the enterprises, management which was realized on more plans. It is to be noted that the research was made during the economic crisis which still affects almost the whole Europe, including Romania.

The data analysis gave us the possibility to observe that the psychological contract had a great importance for the two studied enterprises and that they paid much attention to the promises they had made with respect to the relation with their employees. To make sure that

the employees are satisfied with the relation they have with their employer and that they do not intend to leave their workplace, several behaviours were developed by the enterprises which took part in the research in order to manage the psychological contract of the employees.

The first thing that we noticed was the decrease of the level of obligations which the enterprises had with respect to their employees. For instance, for the majority, these obligations were focused on the tasks they had to fulfill and on the salary they would get. This is an observation which do not validates the previous studies on the psychological contract, which considered that success at work and the balance between the professional life and the private life are promises/obligations included in the contents of the psychological contract. This precautious behaviour manifested by the enterprises could be explained by the fear of assuming too important responsibilities in times of trouble and lack of certainties. It could also be explained by the usual behaviours which exist in the automobile industry which are also focused on the task and performance achievement.

We also noticed that the enterprises mentioned in our study made efforts to “formalize” the terms of the psychological contract so that they become clearer and more visible to the employees. One of the traits of the psychological contract is his non-written and non-formal character (Rousseau, 1989, 1995). By means of this “formalization” the psychological contract becomes easier to manage since each of the parties of the employment relationship knows its obligations better and, consequently, the risk of incongruence will be much diminished.

The clarification of terms of the psychological contract begins in the analyzed enterprises with the hiring process. During the interview of employment, the recruiting agent makes known to the candidates the list of obligations that they must fulfill, as future employees. After being hired, the chief of the new employee makes sure that he understood exactly the tasks he must fulfill and that he performs them the way it was established when he was hired.

Another factor of the management process of the psychological factor issued from the research is the permanent interest of the enterprises in communicating all the changes that come up in the employment relation terms. This communication is done at all levels of hierarchical levels. It is also bidirectional, which means that the communication which starts from the bottom to the top is also encouraged.

We also noticed closeness regarding the categories of terms of the psychological contract in the two enterprises where we made the research. This similarity of terms of the psychological contract makes us believe that the enterprises we studied appealed to a “common” psychological contract which is specific to the Romanian auto industry. We called it “shared psychological contract”. This type of psychological contract assures once again the enterprises in this uncertain situation, in the sense that they do not offer worse working conditions than their competitors, thus chances that their employees do not leave their workplace increase.

## **5. Conclusions**

Studying the results presented before, we can see that the psychological contract can and must be managed by the enterprises which wished to become more successful in a more and more competitive world economy.

A management of the employees’ psychological contract by the enterprises has advantages both for his employee and for his employer. First of all, each of the parts is reassured with respect to the contributions which the other part expects to receive. This open discussion concerning the obligations of the psychological contract makes that the terms of the employment relation become clearer, more open, so, suddenly, the risk of a misunderstanding also diminishes significantly and consequently the risk of the psychological contract breach occurrence.

The standardization of terms of the psychological contract may contribute to the decrease of the expenses related to the employment process and to the staff turnover. In the specialized literature of human resources this state of things is well known: the highest staff expenses are engendered by endowment funds (St-Onge *et al.*, 2013). By exactly knowing what the obligations at work are and by accepting them, the employee assumes the task achievement and his intention to leave the organization diminishes.

With respect to the organizational communication, we can say it is essential for the efficient functioning of the organizations (Dessler: 2009). For example, the detailed communication of a change leads to an adjustment of the task in a quick manner while the production process does not undergo any change and the employee does not experience the feeling of incapacity or the lack of self-value. Thus, if the organization cares about communicating its intentions to the employees, they will be more aware of a possible change at their workplace and will be more cooperative. Moreover, sharing the information will have a positive impact on the mood of the workers who will feel more appreciated by the organization. Consequently, the organizational climate will improve.

To conclude, we can assert that the management of the psychological contract by the enterprises may be an efficient tool in increasing both the organizational performance and the employees' satisfaction. Other studies would be, however, necessary to analyze in a better way the psychological contract formation stage after the organizational entry of the employee as well as his adapting behaviour to the changes that might occur in his developing relationship with a certain employer.

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