The Clarity and Validity of the Concept of Psychological Contract

Francis Ndirangu Njenga
School of Business, University of Nairobi, Kenya, 4615-01001, Thika, Kenya (East Africa)

Abstract
Researchers have argued that the construct of psychological contract in its current form and application lacks clarity and validity. However the debate has stagnated but the research has continued being carried out without considering the diverging views on the subject. This article aims at bridging the gap on the operational definition of the construct, the content of the contract relevant for workplace and the influence on attitudes and behavior. This is articulated through knowledge blending of the theories of law, linguistic and social psychology. The foundation of the construct stems from the assumption that for two parties to draw maximum benefits from their relationship they have to develop commitment and cooperation. The process begins when the party processing the power and effect undertakes to satisfy the needs or interest of the referent other who in turn reciprocate with increased trust and loyalty. In a relationship the psychological contract is the feelings or beliefs held by one party that the other party has adopted to satisfy their need/desire/interest/goal. The content of psychological contract is based on workplace needs frame around Hertzberg two factor to correspond with the different types of equity sensitivity predispositions. This article seeks to theoretically present clarity to the construct of psychological contract in a coherent manner that joins together the current two schools of thought namely classical and reliance (two parties).

Keywords: commitment, cooperation, loyalty, promise, psychological contract, reciprocate, trust.

Introduction
Ever since Argyris in 1960 coined the term ‘psychological work contract’; the confounding challenge researchers have had to contend with, is working with a construct that lacks in clarity and validity (Guest, 1998ab; Rousseau, 1998). So far the construct has shed the psychic nature and is not distinctly contrasted from the contract as conventionally established in law, economics and sociology. An articulate understanding evolve that helps us explain the epistemic meaning of the construct of psychological contract; through a methodical knowledge blending of theories of contract law, speech act or the communicative action, and social psychology. At the bare minimum the clarity of construct is pegged on developing a succinct definition; followed by specifying the contract content as the scope condition and then; demonstrating theoretically how the construct relate to other concepts of interest.

The underpinning of any volitional relationship is to attain maximum value out of it. For the parties to draw the maximal benefit or value out of a relationship, commitment and cooperative ethics is fundamental. However to get people’s trust and loyalty, the person with power and effect in an organization has to take initiative to show commitment by undertaking to satisfy the needs etcetera of the others (that is expression of loyalty). The essence is to get the party whose needs have been undertaken to be satisfied; to reciprocate primarily with loyalty and increased trust. The kind of the needs depend on foundations of the relationship and they also determine the scope conditions of the psychological contract. For example at workplace, the needs that when promised and fulfilled yield maximal benefit to
the organization as well as the employees, are conceptualized as intrinsic and extrinsic needs (Njenga, 2017). The combination of the two factors empirically has been confirmed to appeal to different equity sensitivity typology of the employees (Kickul & Lester, 2001; Weathington, & Reddock, 2011).

Psychological contract from perspective of law
Socially the term ‘contract’ is a promise (Samek, 1965) whereby the dyads assume a moral obligation to fulfill and in consistent with the theory of dissonance avoidance (Festinger, 1957). However, the concept of promise is different from the concept of ‘agreement’ or exchange of ‘promises’ which prostrates a negotiation whereby parties assume a responsibility to keep or else institute a remedy. In law, a contract as a promise is a classical school of thought while a contract as an agreement is a reliance school of thought (Raz, 1981). Therefore in regards to promise there a moral obligation to keep but in case of agreement (exchange of promises) one has legal responsibility to perform.

Jaffey (1977) stated that in the case of classical school, a contract is unilateral and doctrine of consideration is given very little regard. A contract as a promise from American standpoint is ‘unilateral’ (Samek, 1965) in nature. And this may help us understand Rousseau’s and her followers view on psychological contract as one party concept (Rousseau, 1990). In case of the reliance school, a contract is a bilateral relationship and the consideration or bargain or negotiation is its basic fabric (Jaffey, 1977). In both schools of thought, the concept of ‘promise’ is the exemplar unit of a contract. However, this does not reduce an agreement to the concept of promise since both arouse different expectations (Samek, 1965). Indeed, whereas breach of agreement invokes remedy, breach of promise invokes validation of affection; primarily compromising trust and loyalty, commitment and cooperative ethics (Njenga, 2017).

Theoretical anchorage
In resource based theory (RBT) high performance of a firm and attainment of competitive advantage depends on building strong union with employees. Such strong exchange relationship was referred to by Kay (1995) as relational architecture. Similarly, Lowe (1998) referred to building a ‘high trust culture’ which gives the organization the flexibility to respond to the dynamic environments. To attain a strong relationship or internal relationship architecture or trust culture with employees; the party with power and effect undertake to satisfy the needs of the others so as to get them to reciprocate in kind. In social exchange relationship the fundamental reason for making promises and keeping is to get people to reciprocate in kind by building trust, commitment cooperation and loyalty (Holtgraves 2008; Njenga, 2017).

Nevertheless the proponents of social exchange theories may argue that; promise is not a social exchange act because it entirely depends on efforts of one party (the promisor). However the outcomes of a promise have a profound effect on the quality of the social relationships. The outcomes of the promise affect the relationship dimensions of trust, loyalty and commitment just like when parties abide by the rules of exchange such as fairness, justice and reciprocity (Cropanzano & Mitchell, 2005). This is because if the promissory expectations are not fulfilled the person perceives the promisor as unfair and unjust and in reciprocity reduces trust, loyalty, commitment and cooperation. The theory of reciprocity is modeled as the behavioral response to an action that is felt as either kind or unkind (Falk & Fischbacher, 2000). In this sense the psychological contract state is founded on social exchange rules of fairness and justice and it has effect on relational trust, loyalty and commitment (Cropanzano & Mitchell, 2005); which in turn promote cooperative ethics in a relationship (Kay, 1995; Matthews & Shulman, 2005).

The construct of psychological contract
In speech act theory a promise is the performative act of co-missive nature (Austin, 1960; Searle, 1969) or a communicative action (Habermas, 1981). The weakness of speech act theory is that the focus is in the domain of the speaker, thus paying little attention on the receiver/listener. Searle (1969) classified a promise as an illocutionary act which from the perspective of the
speaker is an overt act. However the concept of promise from perspective of the intended hearer has perlocutionary dimension. Indeed, promissory communicative action does elucidate expectations on the both parties in the relationship. The person making the promise psychologically puts an expectation on self to fulfill and at the same time raises the expectation on the other party in the relationship.

From the social psychology perspective, the phenomenon explains a dyadic relationship whereby the party with normative power and effect adopts and within latency interval satisfies the desire/need/interest/goal of the referent other (Castelfranchi & Guerini, 2006). However, a promise has a covert dimension of a mental effect on party to whom intention is directed. That is, it arouses promissory expectations and; within the latency interval evolves to anticipations in the mind of the parties (Lester, 2011). These expectations are the ontological foundation of the psychological contract. The latency interval prior to fulfillment of a promise marks the anticipatory period during which is one is neither satisfied nor dissatisfied. The anticipation is evolves via emotions varying from mild excitement and desire, anxiety to apathy, distress to frustration and anger (Huron, 2006).

At the end of the interval, a state is realized; which has been referred to as the psychological contract state. This state is expressed by satisfaction feelings of the party to whom the promise was made or from the perspective of the person making the promise- a sense of fulfillment. In essence psychological contract is the beliefs or feelings that an undertaking has been made to satisfy or fulfill needs, desires, interests or goals. Moreover, psychological contract state is the belief/feelings on the extent to which the needs etcetera, have been fulfilled at the end of latent interval. Therefore psychological contract state supposedly constitutes systematic processes of conscious experience in form of mental expectations (Njenga, 2017). As such the term is hypothetical explanatory variable that explain a conscious experience which supposes systematic processes that are not among the observed (Boring, 1923). From the perspective of social exchange theory the assumptions are; parties join volitional unions to foster interdependence and seek to leap equitable or maximal benefits (utility value) from such relationships. As such the dyads pursue a joint activity towards shared goals or cooperation (Habermas, 1981). Cropanzano and Mitchell, (2000) pointed out that; to gain mutual benefits parties need to establish strong exchange relationship by fostering trust, loyal and commitment including the cooperative ethics (Kay, 1995; Matthews & Shulman 2005).

The content of psychological contract at workplace
Social exchange theory also assumes that in a relationship, members seek equitable or maximal benefits in return for their inputs; but studies have shown individuals differ on how they evaluate the benefits (Crozapano & Mitchell, 2005). The differences for example may depend on individual equity sensitivity predispositions (Kickul & Lester, 2001; Weathington, 2001; Weathington, & Reddock, 2011).

The concept of equity sensitivity can be explained as the level of tolerance to inequity during transactions in a relationship. There are several distinct typologies depending on inequity tolerance on the basis of low and high focus either on what a person contribute to a relationship (inputs) or what he/she get in return (outcome/output) (Adams, 1965). There those people who care for what they give in relationship than what they get in return known as the benevolent or indifferent (Huseman, Hatfield & Miles, 1985: Davison & Bing, 2008); whose interest is skewed towards motivator factors (intrinsic needs). On the opposite extreme to benevolent are the entitled. Their concern is to get more than they inputs into a relationship. The entitled focus is low on inputs but high on outputs. This group has preference for hygiene (extrinsic) factors like policy and administration, supervision, salary, interpersonal relations and working conditions. These factors help maintain satisfaction in workplace. The middle group is the equity-balance or sensitive whose focus is both extrinsic and intrinsic outcomes (Kickul & Lester, 2001; Weathington, & Reddock, 2011).

As for the justification for the content of the psychological contract at workplace we invoke the social exchange theories assumptions that parties in a relationship engage in volitional relationship seeking to draw maximal or equitable benefits
The theoretical argument is that the principle of making and keeping a promise has primary overarching objective of fostering trust and loyalty (Holtgraves, 2008). The motivation for making a promise is an act expressing benevolence and loyalty concerns, in anticipation of the reciprocity (Kleinig, 2007). The motivation for promise reliance is the propensity to trust that there shall be no reneging (Mayer, Davis, & Schoorman, 1995; Dirks & Ferrin, 2002; Sollner, et. al, 2010). Thus whenever promissory expectations are fulfilled trust is affirmed and also attracts loyalty paybacks. Otherwise a situation to the contrary erodes trust and deters loyalty payback. When one party undertakes to satisfy another’s needs etcetera; whether expressly or impliedly is an express alliance of loyalty; whereby the promisor in practically devoted to bear the burden of the promisee. In workplace employees reciprocate back by exercising loyalty through practical dispositions of attendance or absence, stay or quit intensions, in-role performance, work performance and organizational citizenship behavior towards organization and, colleague etcetera.

An empirical study demonstrated that trust was an input and outcome of negotiations and interpretations of the psychological contract (Keith, 2011). A study also showed that, although...
there was no causal relationship and direction indicated; there is a negative relationship between trust and breach of psychological contract (Robinson & Rousseau, 1994; Atkinson, 2007). Another study demonstrated that the breach of psychological contract is negatively correlated to loyalty (Turnley & Feldman, 1999). The results of a study by Coyle Shapiro and Kessler (2000) showed that breach of PC has negative effect on employees’ commitment and their willingness to engage in organizational citizen behavior. Similarly the study was collaborated through a research by McDonald and Makin, (2000) which indicated that violation of psychological contract was negatively related to organizational commitment. Conway & Coyle-Shapiro (2012) stated that, “...employees whose psychological contracts have been breached are most likely to withhold those behaviors that benefit the organization as a whole”. An empirical study showed that there was a relationship between fair treatment of people and strong reciprocity to volitional cooperation (Fehr, Fischbacher & Gachter, 2002).

As alluded to earlier, the foundation of this argument is the resource base theory perspective by Kay (1995). The theory explains that among the assumptions that lead to high performance and even sustainable competitive advantage (SCA) is the creation of internal relationship architecture (IRA). The IRA in social exchange theory is the strong exchange relationship through building blocks of trust, loyalty and commitment (Crozanpano & Mitchell, 2005) as well as the cooperative ethics discussed by Kay (1995). The antecedent of this initiative is when the party with power and effect undertakes to satisfy the needs of the referent other as a demonstration of loyalty, commitment and cooperation to other party in the relationship. Such an undertaking, assuming trust exist in the relationship, arouses the promissory expectations either actual or implicit. In accordance with the social exchange theory assumption of interdependence, an action by one party leads to response by the referent other (Crozanpano & Mitchell, 2005). Hence fulfillment of the promissory expectations by the employer validates trust, loyalty, commitment and cooperative ethics. The relationship thus formed leads to high morale, motivation and the resultant high performance and sustainable competitive advantage (Matthews & Shulman, 2005).

The blending of RBT and social exchange theories explains attitudes/behavior (trust, loyalty, commitment and cooperation), psychological contract and firm performance. The resource based theory asserts that by creating internal relationship architecture, the morale and motivation of the employees is affected leading to high performance and sustainable competitive advantage flow (Kay, 1995). Furthermore commitment and cooperation are the source of competitive advantage and hence critical to performance of an organization (Grant, 1991; Dessler, 1993). Therefore it posited that the link between composite of trust, loyal, commitment and cooperation and the firm performance can be explained by the psychological contract state of employees.

**Operationalization of the psychological contract**

Simply put the psychological contract is feelings about needs/interests/desires/goals of people that those in relational command undertake/promise to fulfill. The undertaking may either be expressed or implied. This definition generalizes to numerous relationships where parties seek to draw maximal value out their activity based coexistence. The needs etcetera are specific to the kind of relationship formed by the dyad. For example in workplace the Hertzberg two factor theory may apply.

The measure of the psychological contract construct will require verifying existence of the undertakings from the perspective of both the promisor and promisee to avoid measuring personal aspirations as promises. The undertakings or promises that to great extent parties agree or have high correlation form the psychological contract in that relationship. That is, from the perspective of promisor; “To what extent have you undertaken/promised to _.”. And from the perspective promisee; “To what extent has, promisor undertaken to satisfy_...”. Issues that are highly correlated are significant to the psychological contract. Finally, the extent to which the needs etcetera have been satisfied can be verified from the perspective of the beneficially
(promisee). That is, “to what extent has promisor fulfilled _”.

Conclusion

In principal the clarity of the construct of a construct at bare minimum is set by succinic definition, the scope condition under which it applies or does not apply and how it relates to other constructs in the horizon all explained in coherent manner (Suddaby, 2010). This article has explained a suitable definition that can apply beyond organizational behavior to other types of relationships. The scope conditions under which the construct may apply has been specified by establishing the contract content suitable for peoples of different predispositions (equity sensitivity typology) at workplace.

The other dimension of construct clarity is how it relates to other concepts in the horizon. Towards this end it has been explained how the state of psychological contract is related to trust, loyalty, commitment and cooperative ethics (the low grievances phenomena by Argyris, 1960). And lastly in contribution towards demystifying validity of the psychological contract; its operationalization has been discussed in manner that maintains the dyadic characteristics of a contract; leaving no room for measuring personal aspirations as promises. Under these conditions the hypothesis of Argyris (1960) should hold true; that the psychological contract state of employees explains the association between Attitudes//behavior (low grievances) and high production. Therefore the construct of psychological contract is a significant explanatory variable in organizational behavior studies.

Reference


Author Profile

Francis Ndirangu Njenga received the Bachelor of Education (BEd.) degree from Kenyatta University in 1986, Higher Advance Diploma in Personnel Administration and Public Relations (IABE) in 1998 and MBA Degree from University of Nairobi in 2008; Currently a PhD candidate in University of Nairobi. During 1986-2013, he worked as Teacher at Teachers Service Commission of Kenya (E.A.), Municipal Education Director, Director Social Services & Housing and Municipal Town Clerk in the ministry of Local Government in Kenya (E.A.). He is now with County Assembly of Kiambu (Kenya-E.A) as Director Committee Services.