

Role of Psychological Contract in Organizational Development

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ABSTRACT

This study deals with Psychological Contract between employers and employees. Employers are always interested organizational in growth, whereas employees are interested in their own welfare and job satisfaction. Satisfied and motivated employees always contribute more to the organization. This study highlighted some areas, which gives satisfaction to the employees, like; fair payment, welfare facilities, recognition, promotion and attention. Work environment in the organization is also very important to create positive attitude of the employees. Equal treatment to all employee present humanities of employers. In such positive environment employees feel proud to work for the organization.

Keywords-- Psychological Contract, Job Satisfaction, Work Environment, Organizational Development

themselves in emotional manner. Satisfied employees concentrate on the fulfillment of the organizational goals. They use their full potential for the success of organization.

Different factors affect to the organizational development. Political environment like Government policies, Economical environment e.g. internal and external capability of the organization, business cycle, market situation, international issues, goodwill of the company and management policies all those things decide the organizational growth and development. Internal capability of the organization is totally depending on the employees of the organization. If the employees are skilled and satisfied, they play vital role in the development of the organization. To make employees happy employers should take care of employee welfare facilities, promotion opportunities, monetary and non-monetary rewards, recognition, career development, motivational activities and job security.

I. INTRODUCTION

Psychological contract is required both, employer and employee commitment for the betterment of Organization.

Karagonlar, Eisenberger and Aselage (2016) described the Psychological Contract as the trust of both parties on the mutual agreement in which some contracts must be accomplished, some contributions are needed, and some liability must be attained. Psychological Contract is the contract between organization and the employees, so they can share their responsibilities.

Recognition for the efforts of employees is required. If the organization give monetary as well as non-monetary reward for the special efforts of the employee then employees attached emotionally to the organization. Satisfied employees use their full potential for the growth of organization, not only quantitative but qualitative development started.

Previously people were so strict about their own ethical set rules that they were ready to work for the same owner by generation to generation. Moreover, they did not think about monetary benefit, they think about humanities. This attitude may sometimes trouble them. In such kind of situation if one party fails to meet the obligation of the other, it leads to violation, the emotional response.

Satisfied employees are more creative, and enthusiastic. They take efforts to learn new technical things faster and ready to take additional efforts for organizational development. Committed employees are always passionate about their work and articulate

II. OBJECTIVES OF THE STUDY

1. To study the nature of Psychological Contract.
2. To study the role of Psychological Contract in Organizational Development.
3. To study the relationship between psychological contract and employee satisfaction.
4. To study the contribution of satisfied employees in the Organizational Development.

III. LITERATURE REVIEW

Traron Moore (2014) explained in his study relationship between employee engagement and psychological contract. This study focused three distinct streams of literature. First one is Employee engagement, second is psychological contract and third is generational cohorts (group of people born in same historical and socio-cultural context).

Hess and Jepsen (2009) studied about the relationship between psychological contract fulfillment and three cognitive responses like satisfaction, commitment and turnover intention. Satisfied employees are always emotionally attached to the organization and they are interested to remain with the organization for longer period.

SmirtiKutaula (2014) focused on the positive effect on job satisfaction and commitment to the organization and negative effect on absenteeism and

intention to quit organization. This study also describes about interactive associations among HRM Practices, frontline management leadership behavior and co-worker support to fulfill psychological contract. There was positive effect for HRM practices and co-worker support, whereas negative effect between frontline management leadership behavior and co-worker support. This study proved that co-worker support is the strong pillar of psychological contract fulfillment.

Rosie Curwen discussed about the fact that, to fulfill the need of organizations in changing environment it is very difficult to motivate and retain a dynamic and profitable workforce. When organization met the expectations of employees then they respond positively and increased job satisfaction. As a result, positivity increases and negativity decreases. In such a condition talented employee will retain with organization, efficiency and productivity will increase and organizational development takes place.

Rousseau (1989) defined psychological contract as “an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party” (p. 123). This definition focused on the individual employee beliefs, and not the organization, though it acknowledged the existence of reciprocity. Also, it emphasized on the perceived agreement not on the actual agreement between the involved parties in the psychological contract.

Guest (1998) called for a return to the exploration of the psychological contract as a two-way exchange, and the inclusion of the employer perspective. Guest and Conway (2002) defined the psychological contract as the “perceptions of both parties to the employment relationship – organization and individual-of the reciprocal promises and obligations implied in that relationship”. There is a high emphasis on reciprocity in the proposed definition.

Conway and Briner (2005) published a book Understanding Psychological Contract at Work. This book covered concept of psychological contract from

beginning with history, development, challenges and theories.

Cropanzano and Mitchell (2005) projected that social exchange relationships develop when an organization shows concern for its employees, it usually results in favorable consequences for the organization. In other words, positive social exchange relationships create effective employee attitudes and behaviours.

Carver and Scheier (1982) explained that when employees observe a discrepancy between what they were promised by the organization and what they receive from the organization, their attitudes became negative or unfavorable. From the employee perspective, such discrepancies represent imbalances in the social exchange relationship between themselves and their organization.

IV. RESEARCH METHODOLOGY

This study is based on Descriptive Research Design and involved in administering questionnaire as a tool for research work. In order to fulfill the objectives of the study, the data have been collected from both the primary and secondary sources. Data have been collected from the employees of the medium scale developing industries. These companies are in their prosperity period. For the present study Judgment Sampling Method was used. Six medium scale industries were selected, from each industry 15 employees were selected as a sample. So, the desired sample size was 90 employees. The questionnaire used in this study was constructed on 5-point scale, very dissatisfied to very satisfied. The questionnaire will find out employee’s satisfaction about psychological contract. To analyze the data percentage method was used.

V. DATA ANALYSIS

Data related to Psychological Contract

Sr. No	Research Questions	Very Dissatisfied		Dissatisfied		Neutral		Satisfied		Very Satisfied	
			%		%		%		%		%
1	Job Satisfaction	4	4.44	5	5.56	4	4.44	65	72.22	12	13.33
2	Proud feeling	3	3.33	7	7.78	6	6.67	62	68.89	12	13.33
3	Job security	6	6.67	10	11.11	22	24.44	45	50.00	7	7.78
4	Cares about well being	6	6.67	9	10.00	21	23.33	46	51.11	8	8.89
5	Trustful environment	4	4.44	10	11.11	14	15.56	52	57.78	10	11.11
6	Valuable employee	5	5.56	4	4.44	12	13.33	67	74.44	2	2.22

7	Management informing you	16	17.78	13	14.44	14	15.56	30	33.33	17	18.89
8	Recognition	8	8.89	17	18.89	17	18.89	36	40.00	12	13.33
9	Involvement in decision making	15	16.67	16	17.78	12	13.33	41	45.56	6	6.67
10	Best job opportunity	0	0.00	3	3.33	7	7.78	67	74.44	13	14.44
11	Preference to the internal employees	2	2.22	2	2.22	8	8.89	45	50.00	33	36.67
12	Internal promotion facility	2	2.22	6	6.67	5	5.56	43	47.78	34	37.78
13	Getting fair pay	3	3.33	7	7.78	6	6.67	45	50.00	29	32.22
14	Well fare facilities	11	12.22	12	13.33	15	16.67	47	52.22	5	5.56
15	Equal treatment	9	10.00	10	11.11	17	18.89	41	45.56	13	14.44

Table No. 1

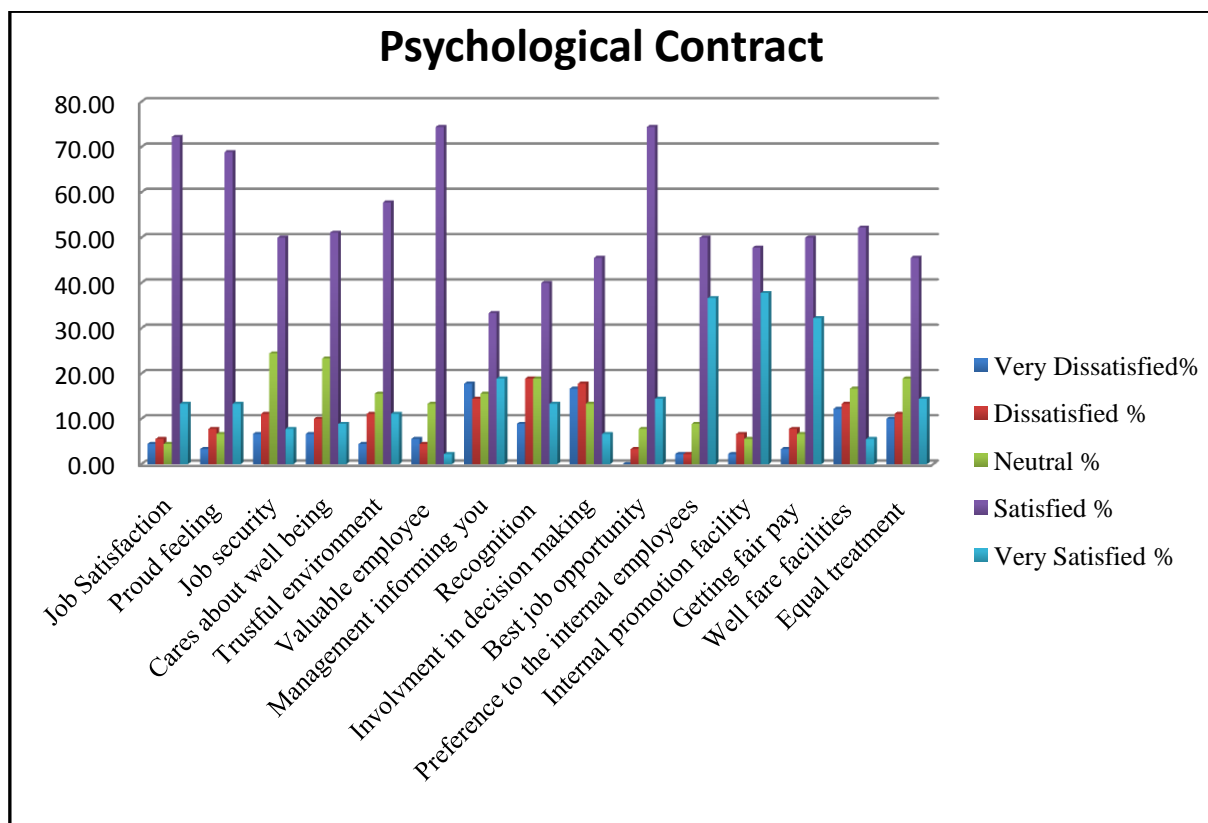


Figure No. 1

VI. FINDINGS OF THE STUDY

Above table and figure shows that near about 85% employees working in selected companies are getting job satisfaction.

Most of the employees feel proud to work in their respective organization.

Only 50% employees feel that their job is secured, where as many employees not sure about their job. In the private organization always, job security is main concern.

Management is sometimes taking care about well-being of employees.

In this selected organization 68% employees trust on their management.

Near about 76% employees feel that they are valuable employees for their organization. Because organization gives them recognition for their contribution and management involve their employees in the decision-making process.

Employees are thinking that there is the best job opportunity is available in their organization.

At the same time Employees are happy with management that management is giving preference to the internal employees whenever there are new job opportunities are avail. They get internally promoted as per their qualities, qualification and experience.

32% employees are very much satisfied and 50% are satisfied, it means near about 82% employees are satisfied with their payment getting for their work. Whereas in this selected organization's 10% employees are not satisfied.

Well fare facilities are not adequate. Some of the employees are not satisfied. 58% employees are satisfied with well fare facilities.

Some employees feel that they are getting equal treatment in the organization, whereas some employees feel that there is no equality in the treatment with all employees.

VII. CONCLUSION

This study focused on the Psychological Contract between employers and employees. Psychological Contract is nothing but the mutual understanding of employers and employees. Organizational Development is on depending the efforts taken by the management and employees. Devoted employees use their full potential for the development of the organization. In this study, selected organizations are taking care of their employees by giving fair payment, welfare facilities, recognition for their work, providing first preference to the internal employees for new job opportunities and promotions, making them part of decision-making process and giving proper treatment in the organization. Positive work environment motivates employees to do work for the organization. Employees are satisfied with their management, so they are willingly serving to the organization. In this way Psychological Contract plays vital role in the Organizational Development.

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