



1918

TALLINNA TEHNIKAÜLIKOOL  
TALLINN UNIVERSITY OF TECHNOLOGY



## Managing the Psychological Contract

Denise M. Rousseau  
Carnegie Mellon University

---

---

---

---

---

---

---

---

## Psychological contracts (PCs)

- “Individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization” (Rousseau, 1995, p. 9).
- This is **employee perspective**, unlike earlier definitions (e.g., Schein, 1980)
- **For employees:** PCs provide some sense of control and predictability (McFarlane Shore & Tetrick, 1994).
- **For employers:** PCs can provide a framework for monitoring employee expectations (Guest, 2004b).



---

---

---

---

---

---

---

---

## Why the Psychological Contract Matters

- The extent to which employees feel commitments are met...
  - Impacts their satisfaction, motivation, retention, and performance (Rousseau, 1995)...
  - which can ultimately impact organisational performance (Ostrow, 1992).
- So, it is in an organization’s best interest to manage employee beliefs and expectations—and honor commitments.
- But...
  - Psychological Contracts are often mismanaged, leading to perceived breaches of contract (Robinson & Rousseau, 1994).
  - Employers often knowingly violate a PC (Robinson & Morrison, 2000).

---

---

---

---

---

---

---

---



### Breach and violation

- **Breach:** “an organisation has failed to meet one or more obligations within one’s PC in a manner commensurate with one’s contributions” (Morrison & Robinson, 1997, p. 23)
- **Violation** is the intense emotional response that may accompany a perceived breach, where “the victim experiences anger, resentment, a sense of injustice and wrongful harm” (Rousseau, 1989, p 129).
- **Breach and Violation are correlated but not perfectly** (Mean=.59). Breach need not become (Li, et al.).
- Violation consistently related to negative outcomes:
  - employee distrust in the organisation (Robinson & Rousseau, 1994),
  - absenteeism (Deery, Iverson & Walsh, 2006)
  - reduced OCB (Turnley & Feldman, 2000).

---

---

---

---

---

---

---

---

### Cognitive Processes Affect Employment via Psychological Contracts

- **Mindfulness—Directed attention** is needed to modify how people think
- **Bounded Rationality**—People process only **limited** information at a time (serial processing, limited attention and computational capacity). Incomplete contract must be filled in over time.
- **Fast/Frugal** is Norm—Packing info into hierarchically organized concepts makes for **computational ease** (“great training”)

---

---

---

---

---

---

---

---

### Cognition 101 cont’d

- Presentism: We typically have **difficulty imagining a tomorrow different from today** and assume that we will think, want or feel much the same as we do now.
- Anticipation Machine: Most important thing a human brain does is ‘**making the future**’.
- Requires **directed mental force** to create or revise
  - Employer needs to capture attention and indicate commitments and expectations clearly.
  - Unfortunately, when people are paying attention, the employer may a) be silent, b) send mixed signal or be represented by an “agent” with another point of view

---

---

---

---

---

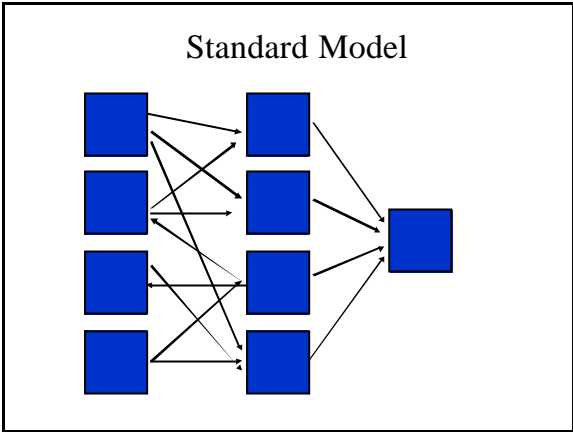
---

---

---



1918




---

---

---

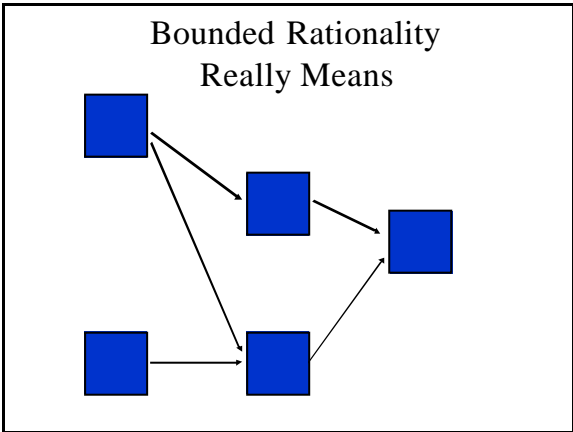
---

---

---

---

---




---

---

---

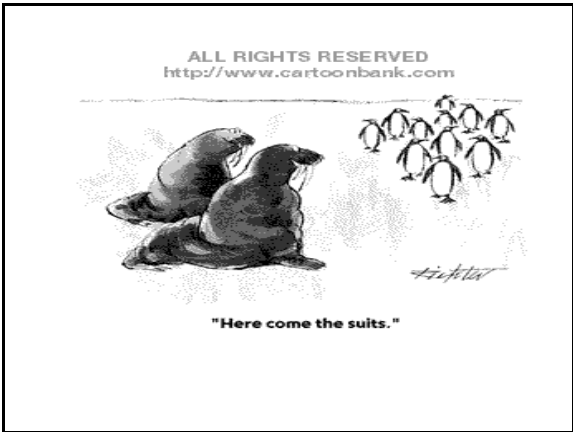
---

---

---

---

---




---

---

---

---

---

---

---

---



### Mindful psychological contracting is...

- **Episodic:** cues must capture attention. How to get people to notice and pay attention?
  - Episodes post-hire occur in social context—network ties and informal social structure impact what is paid attention to and what interpretations are made
  - Pre-contract and post-contract perceptions and motives differ (greatest differences evident in first year)

---

---

---

---

---

---

---

---

### Mindful psychological contracting?

- **Focuses on discrepancies (differences) & new categories** (cf. as opposed to mindless application of old or existing categories; Kawakami, White, Langer, 2000).
  - How this employer is different. Careful attention to novel distinctions (e.g., “development”, “support”, “value-added”)
  - Reinforce shared social information (employees hear and discuss employer messages together)

---

---

---

---

---

---

---

---

### The Revolving Work Force Deals

Deal	Characteristics
Traditional: <i>Relational contract</i>	<ul style="list-style-type: none"> <li>• Paternalism</li> <li>• Career employment</li> <li>• Balanced toward work force</li> </ul>
Market-based: <i>Transactional contract</i>	<ul style="list-style-type: none"> <li>• Tough love</li> <li>• Employability</li> <li>• Balanced toward organization</li> </ul>
Hybrid: <i>Balanced contract</i>	<ul style="list-style-type: none"> <li>• Mutual accountability</li> <li>• Win-win partnership</li> <li>• Balanced more equally</li> </ul>

---

---

---

---

---

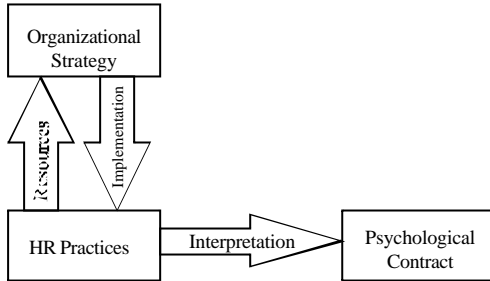
---

---

---



**Linking Strategy, HR, and the Psychological Contract**




---

---

---

---

---

---

---

---

**Hi Commitment HR Strategies:  
Relational vs Balanced (Hi Perf)**

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• HR: Make (Defend)</li> <li>• Long-term focus/General Performance Criteria</li> <li>• Acquire people at entry levels (referrals)</li> <li>• Promote from within</li> <li>• Performance (stable) defined by upholding norms--single source, if measured at all.</li> <li>• Status is context-specific</li> <li>• Rewards: common fate, supportive           <ul style="list-style-type: none"> <li>- Hewlett Packard</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• HR: Make w/Buy (Innovate)</li> <li>• Long-term focus/Specific Performance Criteria</li> <li>• Acquire people at all levels (referrals)</li> <li>• Promote from within and sometimes go outside</li> <li>• Performance (dynamic) defined by values and results—multi-source</li> <li>• Status is down-played</li> <li>• Rewards: common fate/company results           <ul style="list-style-type: none"> <li>- Google</li> </ul> </li> </ul> |
|--|---|

---

---

---

---

---

---

---

---