

## **THE PSYCHOLOGICAL CONTRACT**

Everybody experiences problems in their professional relationships from time to time. Perhaps you disagreed with your boss about how to handle a particularly delicate customer relations situation. Maybe one of your people asked for a pay raise you thought was unreasonable. When a team you manage finished a project, were the results not quite what you were looking for?

If you sat down to examine the reasons behind these difficulties, then you would probably find a mismatch in expectations: each party had one way of looking at things, and did not fully comprehend the other's point of view.

When such disagreements get to the point where it irritates you, or you are “fed up”, then your psychological contract has been broken.

### **All in the mind**

The psychological contract is the set of unwritten expectations that an organisation and an individual member of that organisation have of each other.

Every organisation should take it seriously, because the psychological contract has real implications for the survival of every organisation. How well the expectations of the organisation and each of those persons fit together determines their success in working together.

Don't think you are excluded! People make psychological contracts whether or not they are aware of them. Every relationship you have with any person or organisation has some basis in a set of unwritten assumptions and expectations. And each member of the same organisation has a different psychological contract, because everybody is different.

This contract changes over time, because life changes. When you get a promotion at work, you have new responsibilities, and so your company expects more of you. If you and your spouse have children, it changes again as you hope the organisation makes allowances for you to take care of your children. A new manager or colleague arrives, and it changes all over again. Each and every change brings with it different expectations and assumptions about what is going to happen in the new circumstances.

Yet the psychological contract is not set down in ink on paper, where you can read it and check it and argue it in a court of law, like a normal business agreement. It forms the basis of trust, which is essential in any relationship, but can never be completely defined in writing. A breach of the psychological contract means a breach of trust.

### **Into the breach**

If there is no attention paid to the psychological contract, then trust can easily break down between you and your organisation.

Employees of the company usually believe the contract has been broken if they find out that a new job that was advertised as “exciting and challenging” turns out to be terribly dull and routine; a role change means completely different (or more) responsibilities, but no change in pay; there is downsizing but the executives still receive salary increases; there is overcontrol of employees from excessive attention to time sheets and other bureaucratic constraints; or a manager is verbally abusive to his or her subordinates.

This is not an exhaustive list by any means, but gives some idea of how the contract can be broken. Generally, any organisation which shows contempt, distrust, and lack of respect for its employees is guaranteed to produce discontent very quickly. Unhappy employees do not work efficiently, may be resistant to any changes, may even sabotage the work of others, resign, or in the worst case scenario, go to a competitor, taking your intellectual capital with them.

You can also break your psychological contract in the eyes of your employer. A company usually believes you have broken your contract if you only do the minimum to keep your job, you do not perform your job conscientiously and competently, or if you demonstrate a distinct lack of loyalty to the organisation. In such a case, you are unlikely to receive pay raises, promotions, or other rewards; others may not wish to work with you, and you might get transferred somewhere you don't want to go; or ultimately, you could be fired.

Many organisations are neglectful of the psychological contract: it gets broken much more easily and more commonly than you might think. When was the last time you felt that your organisation was unfair in its treatment of you or your department?

So, how can you minimise the potential problems of shifting expectations?

### **It's a conTRACT, not a con**

In order to create a good psychological contract with your prospective new employees, you should discuss and establish expectations with them during the job interview. A good job advertisement is meant to attract good potential employees, but it should not produce unrealistic ideas about the work required.

Take the initiative to discuss a review of the contract with your employees on a regular basis. When changes happen, discuss changing expectations and assumptions immediately. Don't wait for them to cause major disruptions. You have to be the one to bring it up; many employees will not feel confident enough to talk about such things with their manager.

For example, if somebody resigns and his colleagues have to pick up the slack because there is no budget for new hires, most people will feel some anxiety as they realise they probably now have to do overtime – for which there is also no budget. Do not force or coerce your team; that's a sure way to encounter resistance. Uncertainty breeds anxiety, and most people want to remove the anxiety, which means keep things how they were. Clearly, this is not an option. You need to discuss with your team at

the outset the difficulty of the situation and how best to manage it, in order to minimise the inevitable anxiety.

Some of the key issues you can ask about include likes and dislikes of the job, what the other person expects of you in your role, if you can help the other person in some way, what is the form of supervision to which they best respond, if there is anything that could be changed to make doing work easier. You have probably realised that there is a heavy cultural component in expectations: what is appropriate in Finland might not be in the United States or in India. Talking about it helps you understand other cultures, helps them to understand yours, and lets you identify cultural differences that may cause misunderstandings if they are not addressed at the start.

When renegotiating the psychological contract, don't use that term; it will put some people off because it sounds official. Some common English expressions that mean the same thing are “coming to a mutual understanding” and “being on the same page”.

Be prepared to make changes if people suggest any. Listening is one thing, but if you take no action on the answers to your questions, people will not take you seriously any more, and the contract will be broken. Most people in western culture assume that management should take a leading, proactive role.

Ultimately, the key to maintaining a healthy psychological contract is to treat people with honesty and respect.

## Summary

Problems in your professional relationships may be due to a breach in the psychological contract with the people involved. Rarely discussed, and never written, the psychological contract is the expectations that people have of each other whenever they enter into a relationship of some kind.

The contract changes over time and must be renegotiated at regular intervals. There is no need to be formal about this; just have a casual talk to discuss any changes in roles and expectations. But to ignore the psychological contract is to invite problems.

The way to keep your psychological contract with each of your people honoured is to honour the contract yourself. You need to understand the expectations of others and follow through on them. All people want honesty and respect from those around them. Give it to people and they are more likely to return it to you.

Some related links (copy-paste into your browser):

*Article from Administrative Science Quarterly (long)*  
[http://findarticles.com/p/articles/mi\\_m4035/is\\_n4\\_v41/ai\\_19137711](http://findarticles.com/p/articles/mi_m4035/is_n4_v41/ai_19137711)

*The Chartered Institute of Personnel Development*  
<http://www.cipd.co.uk/subjects/empreltns/psycntrct/psycontr.htm>

*At Ozone*

<http://www.odysseyzone.com/Articles/Thepsychologicalcontract/tabid/95/Default.aspx>

Next month, we will be discussing where people start to form their ideas for the psychological contract: the recruitment process.

*References:*

Kolb, D.A., Rubin, I.M., & Osland, J. (1991). *Organizational behavior: An experiential approach* (5<sup>th</sup> ed.). Englewood Cliffs, NJ: Prentice-Hall.

Statt, D.A. (2004). *Psychology and the world of work* (2<sup>nd</sup> ed.). London: Palgrave Macmillan.

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