



# Development of Perceived Psychological Contract Violations (PPCV): A Theoretical Study

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## ABSTRACT

In order to survive in this constantly changing and transforming environment, a business requires agility and a rapid response technique. One heuristic technique that can be focused upon to embrace the said change and bring about a transformation is the understanding of psychological contracts as well as their violations. Psychological contracts are “intangible” contracts that exist at a place of work. Perceived Psychological Contract Violations (PPCV) is a concept that helps to identify and explain the feeling of anger and disappointment that employees face when their needs are not met by the employer. PPCV has two types – Reneging and Incongruence. The purpose of this paper is to develop a theoretical study indicating the identification and development of psychological contracts at the workplace, the subsequently developed perceived psychological contract violations (PPCV), as well as to further explain their types. Efforts have been made to present a thorough study of literature and to brief the results of the same so that there is a better understanding of the given terms. Findings and implications of this framework have been discussed in detail and suggestions for further research have been given.

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## Introduction

Greek philosopher Heraclitus had once said that 'Change is the only constant'. The world that we live in today is in a state of constant movement. This movement may be observed in the form of melting of the ice caps, rising of the sea level, global pandemics, extraordinary developments in artificial intelligence and technology, among others. The most rapid changes that can be seen today are those in the business world. The word being used to identify and measure this change is 'transformation'.

Transformation can be explained as a very significant change in the world – most particularly the world of business and management. The word transformation has become synonymous with creation of value, unlocking of hitherto unexplored avenues as well as driving growth in a manner which shall be considered significant.

The post-pandemic world today has changed at a rapid pace. Every business, big or small, has found itself at a stage where there needs to be a significant level of change and transformation in its workings. This acceptance of change as well as an inclination towards transformation helps a business to bring about a change which can help it to overcome the challenges that Covid-19 has presented to the world at large. While we may say that the pandemic has ended or is coming to an end, the problems that businesses have faced because of it are aplenty.

A business environment includes various stakeholders – both internal and external. This new era demands that businesses make an attempt to understand all of its stakeholders and to ensure that a holistic approach be taken to manage challenges that may affect the day-to-day proceedings of the business. This holistic approach can be taken if a business is agile enough to respond to the ever changing and transforming environment.

One technique which can be used to embrace change and transformation today is to stop and rethink what is being done and why is it being done. In this era, mere survival of any business is not enough. What is required to identify and understand any recent changes and developments in the business world and thereby,

make efforts to implement those changes. One such subject area which should be understood to easily manage the challenges of today is the development of Perceived Psychological Contract Violations (PPCV).

## Perceived Psychological Contract Violations (PPCV)

Psychological contracts can be defined as "intangible contracts at the work place". The term Psychological Contracts was coined by Chris Argyris in the year 1960. Psychological contracts are explained as a set of beliefs or perceptions that have been exchanged between the employer and the employee (Herriot, Manning and Kidd, 2002).

With the increase in the speed at which change and transformation happening in the business world, there is less clarity as to what is included in the contracts of employees and what is not. Perceived Psychological Contract Violations (PPCV) helps to identify and measure the feeling of or the emotional state of disappointment that the employer or the employee faces when he or she feels that his or her psychological contract is no longer being fulfilled. The parties in the employment relationship feel that they have been betrayed and can no longer trust the other party in the future.

The purpose of this paper is to present a theoretical view point to identify the development of violations of psychological contracts as well as their two major types.

## Review of Literature On Psychological Contracts

**Arnold (1996)** has said that the psychological contracts and its violations are a concept which are in need of an in-depth analysis so that its boundaries can be studied, explained and expanded. His research has explained that it is only recently that psychological contracts have gained popularity as a topic of study to explain the employees' perspective of their intangible relationships at the work place. This concept still lacks the detailed analysis that should exist. He has said that the major problem areas which still exist in the study of this topic are – the identification and understanding from a common layman's point of view of this concept,

the dimensions, the theories that form the basis of this concept, the types, the effects of the violations of said contracts, etc. still need to be examined.

**Cavanaugh and Noe (1999)** have studied psychological contracts in the United States of America. They have said that these are paternalistic style of relationships between the employer and his/her employee. The researchers have carried out research on the basis of relational components of the contracts and said that various factors such as satisfaction level of the employees, work experience, job turnovers, etc. have an impact on the managers' as well as the employees' perspective of the contracts that they have entered into at the work place. They have primarily studied the relational contracts at the work place.

**Thomas, Au and Ravlin (2003)** have explained in their paper that a psychological contract is an intangible contract based on a mutual exchange relation between the employer and an employee at a work place. The authors have studied the said contract from a cognitive perspective and pointed out that there are cultural aspects as well as motivational mechanisms to identify and explain this dynamic at any organisation. In their research, they have said that there are two types of contracts at the workplace- relational contracts as well as transactional contracts. The relational psychological contract has been explained as a contract based on the relationships which have developed between the employer and the employee over a period of time in the organisation. As the employer and the employee continue to work together in the organisation, this relational contract is developed. A transactional contract on the other hand, is developed solely based on monetary exchanges in the organisation. These are generally short term.

**Clutterback (2005)** has given his view point on the psychological contracts at the workplace. He has said that a psychological contract represents value at the workplace. Value as a concept can be explained as three-way concept – as the psychological worth of the parties, as the respect between the parties and as the beliefs that exist within the organisation. The author has said that the psychological contract helps to align the value system of the employees as well the employers at the work place.

## On Perceived Psychological Contract Violations (PPCV)

**Robinson and Morrison (2000)** have studied psychological contracts to help depict that the violations of these contracts are more severe when self-performance as well as organisational performance both were very low. Various factors influenced these breaches of psychological contracts and the consequent violations felt by both the parties. A survey of more than 140 employees was carried out in two parts in Canada by - one when the employees started a work new job and then later after a period of 18 months. The contract violations were very severe when the managers had a previous history of violating contracts and the employees' feelings towards this were high when they felt that the breach was done on purpose.

**Turnley and Feldman (2000)** have examined the relation between effects of violations of psychological contracts at the work place and their impact on intention to quit a job, organizational citizenship and later, neglect of job role that has been given. The study is based on data on employees from the Kansas and Manhattan area in USA. It has used regression analysis and SEM (structural equation modelling) to identify job expectations which are unmet - of both the employers and the employees. Job dissatisfaction has been identified as the key mediators in the said violations of psychological contracts at the workplace.

**Knights and Kennedy (2005)** have carried out research to study the impact of psychological contract violations and also of organizational transformation on job satisfaction and organizational commitment of the employees. A survey of executive managers from the public limited companies set up in Australia was carried out which showed a negative correlation analysis and a negative percentage analysis between violations of said psychological contracts and job commitment and also, on job satisfaction. The study also proved that demographic factors, such as income levels, age, gender, educational levels did not have a very great impact on these variables. The results of dissatisfaction due to violation of psychological contracts remained steady throughout the study.

**Blomme, et al (2010)** have studied the turnover intentions of the very highly educated members of the hospitality industry in The Netherlands due to the violations of the psychological contracts at the workplace. Interview methods along with surveys have been used to carry out this research in order to specifically differentiate between the male members and female members of the industry and consequently, their behaviours. Results have revealed that the highly educated employees have a high degree of variance in their level of response to the breach of psychological contracts. The motivating factors for female employees was the presence of the work life balance in their psychological contracts. For male employees it was the clarity of the job description at the work place.

**Bao and Olson (2011)** have studied the impact of the violations of psychological contracts on the Chinese workers belonging to various fields. This research carried out on more than 200 workers employed in China showed that the psychological contract violations have a severely negative impact on the employee's organisational commitment. Their responsibility towards the organization suffers the most and therefore, the outcomes expected to be achieved in a period of time are affected. The survey carried out on the top level management (CEOs, General Managers, Vice Presidents) as well as lower-level managers showed that the job satisfaction and involvement, the personal hope, etc. all had a positive impact on the psychological contracts. On the other hand, excessive control as well as job demands have had a negative effect on psychological contracts at the work place.

**Shahnawaz and Goswami (2012)** have studied the public sector and private sector employees in the corporate world existing in New Delhi and National Capital Region of Delhi (India). They carried out studies to identify and understand the impact of the psychological contract violations on the organisational commitment, mutual trust as well as turnover intention amongst the given subjects of study. Survey method, various psychological contract scales as well as regression analysis have been used by the researchers to show that the psychological contract violations are more frequent in the private sector than in the public sector in India. Also, the impact on the dependent variables (commitment, trust and turnover intentions) was found to be greater in the public sector than in the private sector.

## Objectives of the study

1. To understand the concept of psychological contracts as a way of embracing change and transformation
2. To understand the concept of development of perceived psychological contract violations (PPCV)
3. To identify the components of PPCV

## Research Methodology

The concept of perceived psychological contract violations (PPCV) may have been studied individually or with other variables many times; but there is still a dearth of literature and research relating to this concept. There is a lack of awareness and understanding of this concept. Hence, the purpose of this paper is to give a brief explanation of this term which can be used as a way of embracing change and giving way to transformation in the businesses today.

For this paper, many research papers and journal articles have been studied and an attempt has been made to summarize it in brief for a better understanding of this concept.

## Findings of the study

### On Psychological contracts

Psychological contracts can be defined as "unwritten contracts at the workplace". Psychological contracts are not written down nor are they spoken out loud; these are always a general mental as well as a mutual belief that two parties in an employment relationship have from the other (Rousseau, 2004). The most common examples of psychological contracts from the employer's side are a secure working environment, promotion opportunities, equal pay for equal work done, respect and dignity in the workplace; and from the employee's side are loyalty, punctuality and an equitable and a just behavior towards the organization.

Psychological contracts act as a way of expressing informal obligations and perceptions that make the basis of the dynamics of the relationship between the employer and the employee. These contracts are

different from tangible contracts in the manner that they are an individual's own perception rather than unquestionable stated, and signed facts. It acts as a social exchange between various parties at an organisation. Psychological contracts are formed on the basis of trust and mutual reciprocity. These contracts will cease to exist if either party does not stand tall on their promises. Or rather, the perception of these promises that each party has.

## On Psychological contract breach

Since, psychological contracts are not written down, there is no clarity as to what the employer and the employee expect from each other, these contracts can be very easily breached. If a psychological contract is said to be breached, it means that the employee or the employer has not received what was expected.

*Psychological contract breaches* are generally identified as a perceived breach rather than an actual breach (Morrison and Robinson, 1997). Since psychological contracts are not actually written down and are intangible expectations, a psychological contract breach is a perception of breach of the said unspoken expectations. Because of the subjective nature of these contracts, the breaches of these contracts are also subjective. It is an individual's subjective perspective that his contract has been broken.

A *psychological contract breach* is an understanding that the employee has received less than what was mentally promised. A psychological contract breach exists in the psyche of the employee and therefore, it cannot be said the employer is at fault. Every employee's breach of the psychological contract exists in a unique and an individual capacity. No two breaches will be considered similar in nature.

## On Perceived psychological Contract Violation (PPCV)

A violation is a result of said breach of the psychological contract. The term for violations of these contracts is *Perceived Psychological Contract Violations (PPCV)* (Morrison and Robinson, 1997).

*Perceived Psychological Contract Violation* is a term that measures and explains the feelings of an employee when he feels that the employer has breached his side of the expectations towards the employee. These broken promises lead to the development of feelings of rage and unhappiness (Robinson and Morrison, 2000).

## Types of PPCV

PPCV can be based on two conditions (Mazumdar, 2020). – *Reneging* and *Incongruence*.

1. **Reneging** is said to have happened when an employer breaks the psychological contracts on purpose. Reneging is the feeling of violation when an employee feels that the employer has not purposely fulfilled his end of the bargain. The employee feels that the employer was aware of the psychological contract but did not knowingly fulfil his responsibility towards the employee. This violation is considered an intentional violation.
2. **Incongruence** occurs when there is a difference in the level of understanding of the parties involved as to what constitutes the psychological contracts. Incongruence in the service sector is the type of violation which occurs as a result of difference in expectations of the promises that were made. Both parties in the employment relationship have a seemingly different understanding of what was promised (Robinson and Morrison, 1997). This type of violation is generally not intentional.

## Negotiating the Psychological Contract for embracing change and transformation

Negotiating a contract involves discussions with the parties involved to set terms which are legally binding. Since, psychological contracts are not actually written contracts and they are not legally enforceable, it can be difficult to negotiate them (Collins, et. al., 2013). While negotiating psychological contracts, some things should be kept in mind. These are discussed below:

1. *Transparency and explicitness* – While negotiating the psychological contracts, it is important that there is transparency in dealings. Discussions between the employer and the employee should be

- done in an explicit manner such that there is no ambiguity at a later stage. Transparent and explicit meetings should be done such that healthy psychological contracts can be formed.
2. *Acknowledgement* – An employer and an employee should acknowledge that there is need for clear psychological contracts at the workplace. Both parties should be in view that there needs to be clear sight on what is to be expected and what is not. Also, acknowledgement of the breach is important. The parties in contract need to accept that there has been a breach of the contract and thereby, a violation.
  3. *Clarity of expectations* – There should be clarity of expectations between the employer and the employee. Whatever has been negotiated in the contract, should be clear and specified. Even the violations of contracts should be clearly defined.
  4. *Agreements on guiding principles* – A mutual understanding between the employer and the employee is extremely important to identify the unwritten expectations from the psychological contracts. This is how parties in the contract will stay in alignment of what was expected and promised.

## Conclusion and recommendations for further research

It can be understood from the above research that unspoken contracts at the workplace are as important as written contracts at the workplace. These are known as psychological contracts. These psychological contracts have a deep effect on the employer-employee relationships in any organisation. It is of extreme importance for both parties to understand the implications of these in order to embrace change and transformation.

Like any research, this one is not without limitations. The above paper is simply based on a study of already published literature. There is a need for further practical research and testing in this area. It is of extreme importance that employers and employees get an understanding of these contracts. Future researchers interested in this topic can carry out survey-based research to determine the level of understanding of the general public in this area. *Just remember, if it can be read about, it can be discussed in practical workplace settings!*

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