



PSYCHOLOGICAL CONTRACT IN BUSINESS CORPORATIONS

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Introduction

Psychological contract refers to a tacit agreement between workforce and corporation for correlative advantage. According to Rousseau, “The psychological contract is individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization.” The individual beliefs here are the discrete commitments which are expected to be fulfilled. The psychological contract varies with various circumstances so as how the individual intervention varies. The individual beliefs and their fulfillments must harmonize with each other for constructive results. If they fail to harmonize, they break up untimely.

The psychological contract gets developed when an individual’s expectations are fulfilled by the corporation and in turn the individual shows his consistency, fidelity and dedication towards corporation. If the corporation is able to meet the expectations of the workforce like flexibility while working, providing some autonomy, providing opportunities for personal growth and so on the individuals develop psychological contract with the corporation. For example the corporation may expect the employee to work for additional hours when needed and the employee may expect the corporation to recognize him for fulfilling his additional duties.

Types of Psychological Contract

1. **Transactional Psychological Contract:** It concentrates on definite components of the agreement without considering the built-in qualities of workforce. This contract is found very often in the corporations with magisterial style of management and control. These transactional psychological contracts are connected to career development, change management etc. They are only for short term.
Few of the experts consider McGregor's Theory X to be closely connected to transactional superior-subordinate relationship and magisterial management which are confined to transactional psychological contract that make the employees work for external reasons and sustain the stature.
2. **Relational Psychological Contract:** It concentrates on the association of corporation and extent of social concerns during negotiation. The relational psychological contracts are found to be related with faith and change acceptance. They are for long term.
Few experts consider McGregor's Theory Y is related to employee involvement that focuses on supervision and has correspondence with relational psychological contracts in their regular focus on commitment and inference in the built-in morals of employees to work for something more than fiscal reasons.

Benefits of Psychological Contract

1. It enhances commitment.
2. It strengthens reliability.
3. It builds up consistency.
4. It improves positive attitude.
5. It enriches fidelity.
6. It boosts adherences.
7. It bridges the gap between present and future.
8. It effectively manages the variability.
9. It increases quality of work.

Suggestions

As the psychological contract has got above mentioned benefits, in order to strengthen the psychological contract between the workforce and corporation some suggestions are given below:



1. First impression is the best impression. So whenever the new employees enter the corporation, the corporation should receive the employees in most pleasant way so that a strong psychological contract will be developed between the workforce and corporation.
2. Employers must be good counselors for the employees, so that they will be able to rectify the personal and emotional problems, thus developing the psychological contract.
3. Corporation should encourage the employees to pursue, plan and develop their careers and that further builds psychological contract between two parties.
4. The corporation has to provide recreation facilities to the workforce by organizing the get-togethers, regular adventure trips, sports events and many other out-of-box activities which increases psychological contract.
5. Corporations must provide congenial environment to workforce in order to fulfill the organizational expectations.
6. The workforce should be in a position to accept the organizational change, which in turn results in psychological contract between the workforce and corporation.
7. The employees must be punctual and sincere in accomplishing their organizational objectives which builds psychological contract.
8. Knowing the self and knowing others in terms of personality traits and characteristics can improve psychological contract between two parties.

Conclusion

The mutual expectations between the corporation-workforce should be considered and accepted for effectively achieving psychological contract. The employee and employer should strive to strengthen psychological contract by maintaining reciprocity, balancing mutual obligations and considering individual beliefs.

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