

QUALITATIVE STUDY ON THE FOUNDATIONS OF THE EXISTANCE OF THE EMPLOYEES' PSYCHOLOGICAL CONTRACT. THE CASE OF THE ROMANIAN AUTOMOTIVE INDUSTRY

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Abstract:

The concept of psychological contract (PC), which describes the promises that play the role of obligations within the employment relation, has become during the last thirty years a major analysis tool in the organizational behaviour field. However, it has been mainly used, almost exclusively, in North-American or British organizational contexts. Only recently the researches on the psychological contracts have turned towards other parts of the world such as China, Southern America or India. Despite this opening towards new horizons, the Eastern European countries mainly remain unexplored from the psychological contract perspective. Certain well-known researchers (for example Rousseau and Coyle-Shapiro) have even stated that the psychological contract simply doesn't exist in this part of Europe. The present study which represents a part of the author's doctoral thesis, demonstrates the opposite. Thus, our field research carried out in 2010 in two companies of the automotive industry in Romania on a sample of 31 participants, led us to conclude that the psychological contract is present in this country, too. By using a qualitative methodological approach inspired from the grounded theory, we have been able to notice that the foundations of the existence of the psychological contract are present in the analyzed sample. First of all, the employees benefit from contractual freedom, which allows them to negotiate the terms of their psychological contract and to begin or get out of an employment relation if it becomes unsatisfactory. Secondly, the employers benefit from a lot of flexibility when presenting the terms of the psychological contract to their employees. These two elements are derived from the market economy which is now being built in Eastern Europe and represent a significant change as compared to the employment relation characteristic to the centralized economy. Finally, our survey allowed us to seize, in the analyzed employment relation, the presence of two other elements sine qua non of the existence of the psychological contract in Romania, respectively the mutuality and the reciprocity. Anyway, our study led us to the conclusion that the psychological contract theory is relevant when it comes to analyzing the employment relation in this country. However, if the psychological contract principles can be applied and function properly in this context, other profound analyses are necessary in order to understand the characteristic features of the employer-employee relation in Romania.

Keywords: psychological contract, social exchange theory, contractual freedom, mutuality, reciprocity, Romanian automotive industry

JEL classification: M12

1. Introduction

The psychological contract has been defined in the literature of organizational behaviour as « the set of promises which play the role of obligations between the employer and the employee» (Rousseau, 1995, p. 5). During the last thirty years, it became an essential tool for analyzing the relationship between the employer and the employee.

The majority of the studies that focuses on the psychological contract, especially at the beginning of its conceptualization, have analyzed it in a stable North-American or British context (e.g. Coyle-Shapiro, 2002; Morrison et Robinson, 2000; Rousseau, 1989; Robinson et Rousseau, 1994). Because of the market globalization and the occupational mobility, the researchers have subsequently started to become interested in the perception of the psychological contract in other social and cultural areas, such as China, Mexico, Israel, Australia, Greece, France or India (e. g. Davila et Elvira, 2007; Jensmon, 2013).

The researches that deal with the psychological contracts at the international level have revealed significant differences from one country to another in point of setting up, carrying out, content or perception of the employees' psychological contract. However, these studies remain predominantly descriptive without being able to explain in a satisfactory manner the source of the identified differences.

Within our doctoral thesis defended in a Canadian university, which represents the source of the present communication, we set as a goal the carrying out of an analysis of the psychological contract shaped by a significant change, which is the one of a social contract transformed by changes which have affected its economic and cultural basis.

In order to carry it out, we have chosen a study field other than the North-American or Western European ones, more specifically to certain companies from Romania, an Eastern European country, formerly a part of the communist economic bloc. This part of the world is hardly known and investigated by the researchers dealing with the psychological contract (the study of Kase and Zupan elaborated in 2007 in Slovenia being among these few studies up until today). Nevertheless, Eastern Europe represents a rich study field for the respective researchers due to its dynamism (Pandelica *et al.* 2010). As a matter of fact, it represents an environment marked by several significant or minor changes with inevitable consequences on the relations created at the work place. The research that we present in this communication has been carried out in the Romanian automotive industry, an industry which was in the forefront among the economically developed branches in Romania.

More specifically, we have asked the following question:

« How is the psychological contract perceived by the employees and the employers in the Romanian automotive industry and which are the mechanisms that underpin the present perceptions of the psychological contract as a consequence of the changes which occurred within the Romanian economy and society during the last two decades? »

Before answering this research question, we set as a goal to prove the existence of the psychological contract in the sample we chose for analysis, since the existence of the PC in the Eastern European countries has been put into question by certain researchers (Rousseau and Schalk, 2000).

The following provides a return to the theories around the existence of the

psychological contract, which have grown over time into an organisational behaviour field. Afterwards, we shall describe the methodology and the results concerning the analysis of the existence of the psychological contract in a certain country that is Romania. In the end, we shall present discussions and the conclusions of the research.

2. A theoretical approach to the bases of the psychological contract theory

Before being able to measure it and adopting a specific position in point of its perception in one country or another, it is vital to ask questions concerning several elements whose presence is a condition *sine qua non* for the psychological contract assessment.

2.1. The social exchange theory

Generally speaking, the various theories concerning the social exchange state that it can be seized at the level of the individual – organization dyad and that it can sustain personal and collective goals (Cole *et al.*, 2002). According to Blau (1964), we know two types of exchanges: the economic exchange and the social exchange. The economic exchange relies upon the formal contract which is explicit and more specific. As a consequence, it can be measured and quantified, therefore it can be negotiated. Moreover, in point of duration, it is a short-term one since it does not need any time to get consolidated. On the other hand, the social exchange involves « favours which create vague future obligations, not clearly mentioned, whose compensation nature can not be negotiated, but has to be left at its author's disposal » (Blau, 1964, p.93).

The psychological contract represents a method for seizing the nature of the economic and social exchange (Guerrero, 2004). In the conceptualization of the psychological contract, the researches have kept the differentiation between the « economic » kind of promises or obligations and the « social » ones in order to assign them to the « transactional » psychological contract and to the « relational » psychological contract (Dabos and Rousseau, 2004; Rousseau, 1989).

2.2. The reciprocity and mutuality norm

The idea that individuals feel obliged to give back if they receive anything is the central point of the social exchange theory. It is based upon Gouldner's approach (1960), who says that a social reciprocity norm exists if i) people help those who have helped them and if ii) people do not harm those who have helped them.

As Dabos and Rousseau (2004) emphasize, in the case of the psychological contract, the employees and the employers try to maintain a balance between the contributions and the payments exchanged within the boundaries of their relation. Thus, whenever one party's contribution creates an unbalance, the other party gets involved in a contribution process which restores the balance of the exchange. Thus, according to Dabos and Rousseau (2004), reciprocity can be defined as the level of agreement between the employer and the employee on the fact that one party's contribution forces the other party to respond in an appropriate reciprocal manner.

As Pepur et al. (2010) underline, one of the functions which play a major role in creating and maintaining the psychological contract is to reduce the uncertainty within the employer – employee relation concerning the future exchanges. Therefore, if the parties reach an agreement concerning the contract terms, the

reciprocal exchanges will be predictable, facilitating thus the planning, the coordination and the performance (Rousseau, 1995). As far as the psychological contract is concerned, the level of agreement concerning the interpretation of the promises and of the engagement that each party has assumed (which is the agreement concerning whatever each party owes the other) represents the notion of mutuality (Dabos and Rousseau, 2004).

2.3. Contractual freedom

The creation of the psychological contract involves the existence of the « *personal freedom* » (Rousseau and Schalk (2000), underlined in the text). Thus, in the absence of the individual choice, people do not have the chance to give or to receive willingly anything within their work relation. In addition to this, they do not have the freedom to enter or to get out of the relation with the employer, according to their free will.

A certain type of relation (for example a very autocratic) can limit the freedom of the individual to choose the relation terms at the work place. If the employer has absolute power to take decisions for his subordinates (as it is the case in certain organizations in countries submitted to dictatorships) they will not be allowed to communicate their demands, nor to negotiate the employment relation (Rousseau and Schalk, 2000).

3. Methodological approach of the study

So as to answer the research question, a qualitative methodological approach has been favoured. According to Creswell (2007), this approach is relevant when a subject must be explored, whenever we aim at obtaining a profound comprehension of a complex subject or if we want to understand the context in which the participants have lived the analyzed phenomenon. This vision is similar to the most recent research current which appeals to qualitative studies in order to analyze the psychological contract (e.g. Pihel, 2009; Dick, 2010).

Several approaches have been carried out as qualitative researches. We have chosen a methodological strategy inspired by the grounded theory in order to carry out our research.

In the positivist approach, the sample is set randomly. The data collection aims thus at an uncompromised sample, coming from a population as extended as possible (Bernard and Ryan, 2010). On the contrary, in the interpretative research, sampling is rather « theoretical » (Miles and Huberman, 2010; Charmaz, 2006). The theoretical sample is chosen in direct connection with the data which will be collected, so that the researchers may deal with the respondents which have actually experimented the analyzed phenomenon (Creswell, 2013).

As for the sample of our study, it was made up of 31 employers and employees (executives and management) of two companies operating in the Romanian automotive industry. The main sampling criteria to select the participants were the age, the level of education and the hierarchic level.

The companies that participate to the research are located in Romania, in Sibiu area and operate in the automotive parts production field.

4. Research results

4.1. The flexibility when negotiating the psychological contract

The flexibility that is at the Romanian automotive industry companies' disposal when negotiating the terms of the psychological contract with the employees is shaped by their past experiences. For example, when it became operating in the automotive industry in Romania, in 2007, the company A, a branch of a multinational company, arrived on a ground where the market economy was already solid and the terms of the employment relation related to the automotive field had already been set. Therefore, it was able to discuss the terms of the psychological contract with its future employees without any restrictions «inherited» from a common history. The bases of the psychological contract were laid in an open and pragmatic manner since none of the parties (neither the employer nor the employee) had debts towards the other, related to former collaborations. The reciprocity process started thus from zero.

On the contrary, the company B, a former State company submitted to a painful restructuring after the communism fell in 1989, was forced to permanently carry out adjustments of the employees' psychological contract, as the change was in progress. Its flexibility in point of negotiating the terms of the psychological contract diminished a lot because of the employment contracts concluded in the past, which were mainly collective ones, which had to be maintained as time passed.

«Researcher: [...] do you think there is any difference, for example, between the attitude towards the employees in foreign capital companies as compared to the companies having a Romanian capital? Do they treat their employees in a different manner, do they got them involved in a different manner? What do you think about it?

Participant: There must be a difference since there are different cultures. The Romanian companies, even if they have, let's say, a business that comply with a certain pattern... we can no longer be creative, the rules are already set, at least in the automotive industry, I can not refer to other branches as I do not know them. Some of the practices in the automotive industry are well known all over the place, we have translated books in Romania, even universities refer to them, as for example to Kaisen, which is a continuous improvement, a management philosophy and concept to apply in any company and, as a consequence, the differences are not significant, yet the types of equipment which are used can vary. Generally speaking, the multinational companies have a more diversified salary package or system which they probably use in a more efficient manner as compared to the Romanian companies. It is obvious that we pay the price for all those years marked by social disturbances when the unions were very active and unruly and not in the wrong way... but the multinational companies arrived and they started a business... and this Greenfield-type business is set up in a different manner. We only hire young people, and we clearly express both parties' expectations since the beginning. While at us, let's admit it, the past influences us, people still keep ancient beliefs, they are not willing to give up what they have acquired in the past so that,

for example, one difference between B and the similar multinational companies which operate in the same field is that managers receive smaller salaries in our company as compared to the multinational companies, yet the operators are better paid by us. So, these differences ...I don't know whether this is right or wrong, but it's due to these differences that we obtained social peace. The differences in point of wages between the two categories of personnel are less significant, considerably less significant in B as compared to the multinational companies. And there is another aspect: in our company, operators obtained better wages through the union force, as the company existed even before 1990. As for the multinational companies, the multinational companies did nothing else than to impose its own rules...» (Manager, company B).

4.2. The existence of the contractual freedom

According to Pesqueux (2012), so that the psychological contract exists, it is necessary that « the individuals be able to act independently and freely make their own choices » (quoted work, p. 16). This is what we call « contractual freedom » (Rousseau, 1995; Rousseau and Schalk, 2000). As for ours sample, we noticed the absence of hesitation of the employees of all ages, when it came to changing the company if the employment relation became unsatisfactory. This represents a major change as compared to the past, when people preferred to keep their job for an unlimited period and work mobility was almost nonexistent. (Boruz, 2008).

« We saw the things differently before 1989. We had a work place; fluctuations were quite rare since everybody received approximately the same salary, except for the management staff, of course ...So everybody was living in some sort of inertia [...]. Nowadays the offer is much bigger and people are permanently dissatisfied since the salary quite small They would like to receive more money, so the consequence is that ... 90 % of the employers – with all levels of education – are permanently looking for a new job... » (Manager, company B).

At present, the employee does not feel forced to stay within the company. He/she is free to interrupt his relation with the employer but if he stays, he needs to be reassured in this relation in which the rules of the game are continuously changing, in an unstable economic context.

4.3. The reciprocity and mutuality of the psychological contract of the analyzed companies in the Romanian automotive field

While elaborating the plan for the present study, we wanted to see whether the employees and the employers within the analyzed companies have similar perceptions regarding the terms of the psychological contract, which has been identified in the literature as the mutuality of the psychological contract.

The results of the survey lead us to believe, in the absence of a survey including questionnaires which could confirm it, that the terms of the psychological contract of the analyzed companies' employers are interpreted in the same way by the two parties of the work relation. As far as we are concerned, this is partly due to the clarification of the psychological contract terms which is made through an open and pragmatic hiring process « with all the cards on the table ». *In extremis*, we felt a

slight wave of restriction regarding the work relation imposed by the companies, which present to the candidates their conditions by means of an informal communication. This observation is mainly valid for the less qualified candidates. Through the survey design, we planned to take a closer look to the exchange of contributions and rewards within the psychological contract, in other words to reciprocity. The analysis of the psychological contract reciprocity within the two companies included in our survey allowed us to notice that it represents the element *sine qua non* for seizing the specific nature of the analyzed work relation and psychological contract.

5. Discussions and conclusions

In the work « Psychological contracts in employment, Cross-National perspectives », published in 2000, Rousseau et Schalk expressed their scepticism regarding the application of the psychological contract theory in the Eastern European countries. In the present survey, we demonstrated that the foundations of the psychological contract existence are present in the automotive industry in Romania.

The field research led us to the conclusion that the employees in the automotive field in Romania are free at present to enter and get out of the employment relation according to the opportunities which may present on the labour market, a situation which was not possible before the '90s, when the economy was centralized. Moreover, the Romanian employers have nowadays a lot of flexibility to negotiate the psychological contract terms with their employees, which was rather unusual for the countries of the former communist bloc.

We showed in paragraph 4.3. that the other conditions which were considered vital for the existence of the psychological contract in a certain country, respectively reciprocity and mutuality, are equally present in the Romanian automotive industry.

Following the elaboration of our doctoral thesis on the example of Romania, the present communication being a part thereof, we have concluded that the psychological contract theory is relevant for analyzing the employment relation in this country. Nevertheless, if the psychological contract principles can be successfully applied in this context, other more profound analyses are necessary in order to understand the specific features of the employer-employee relation in Romania.

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