

# PSYCHOLOGICAL CONTRACT AND ORGANISATIONAL PERFORMANCE

<sup>1</sup>Dr. P. Praveen Kumar, <sup>2</sup>D. Srilekha

<sup>1</sup> Asst. Professor, <sup>2</sup> Student

Saveetha School of Management,

Saveetha Institute of Medical and Technical Sciences, Chennai – 77.

**Abstract:** This exercise aims to explore the psychological contract of employee and employer relationship in the manufacturing company. Employee mind set and behaviour are totally based on organization practice. Strong employer constituents generate a gratifying atmosphere in the workplace. This augments the employee motivation and also can be unmitigated via improved worker morale. Businesses which have invested into employee applications have skilled inside the productiveness, and consequently the extended productiveness leads to amplified profits. The organization must highlight the development packages that under no circumstances be duplicated by other business enterprises. It should sustain first-class rapport with the employees. The study collected data from 102 employees who work in private sector. Structural Equation Modelling (SEM) has been utilised to find influence of psychological contract on organisational performance. Study concludes that employee's and employer's promises fulfilment leads to increase in organisational performance.

## I. INTRODUCTION

The employer and employee relationship is entirely on the subject of trust. Employee should have trust on employer and employer has to trust employee. It is a kind of reciprocated trust policy. If trust is gone astray, the organization's returns crash downwards owing to low productivity. The trust can be augmented through communication, transparency in work and employer promises. The employer and employee relationship demonstrates the organizational performance. Employer and employee relation have both discrete and shared relation. Discrete means only employer and employee but shared relation incorporates trade union and association. Employer and employee is a self-motivated and intensifying concept. It festers along with commercial and communal institute along with the society. Many parties can engage in employer-employee relationship. The imperative rationale of employer and employee relations is to uphold pleasurable affiliation with administration and workforce. It may generate a knotty set of rules, guideline and technique to administer the workplace.

Employee blessing are non-monetary repayment that may perhaps range from company to company. The gains acquired are indirect and non-fiscal within a refund wrap up. They are handed over with the support of companies correspondingly to profit and construct a competitive bundle for the capacity employee.

## II. REVIEW OF LITERATURE

Vercic and Coric (2018) studied about the relationship among the employer brand, reputation and corporate social responsibility. The study argues that the investments made in the corporate social responsibility would possibly enhance the results of the company. This in turn gives a superior reputation to the company and its brand.

Synek and Koenigstorfer (2018) investigated regarding the drivers as well as barriers for the tax subsidized leasing of bikes. The respondents include both the German employees and employers. Stakeholder's involvement, observability, trialability and compatibility are found to be the drivers for this particular case.

Mullen et al. (2017) scrutinized the association between employees' safety obligations and their safety outcomes. There is moderating variable serving this requirement. It is nothing but the leadership. The study makes use of the social exchange theory. The safety outcomes encompass safety participation, attitude and compliance.

Bockerman et al. (2018) constructed a multi country data of the employers and employees. The impacts of the first in and last out rules in the direction of worker mobility and the wages are measured in this study. It is found that the exit rate is relatively low for the senior employees with reference to Sweden.

Gonzalez and Gidumal (2017) suggest that the hotel client satisfaction is directly influenced by the comments of the employees towards hotel justice. These employee comments on hotel justice also have an impact in portraying the image of organization headed for service quality. The study recommends the hotel managers to be aware of the comments and act accordingly.

Lachapelle (2018) highlights the subsidies given on the transit passes by the employers. Employees who obtain low income are less probable to access this passes. They hesitate the usage due to the poor transit services provided to them. The study suggests the employers to supply transit passes for people of all income groups.

Kang and Bussar (2018) declared that the employee engagement may be possibly captivated by the climate of service as well as psychological capital. This study is the pioneer in disclosing that there is a tortuous impact of service climate on the turnover intent by means of employee commitment. The study shows mutual relationship between managers and the front line employees.

Jena et al. (2018) swotted up about the association of trust with transformational headship, employee engagement and psychological well – being. The SEM analysis is being carried out in this study. The outcome of the study shows that the trust level varies in accordance with the transformational headship, employee engagement and psychological well – being.

Dabirian et al. (2017) crammed regarding the advantages offered by the employment to the employees. This is termed as employer branding. IBM Watson is used to analyse the data. Based on the results obtained from the study, it reveals about the means to attract more employees towards the organization on the basis of better workplace.

Jaworski et al. (2018) explored that the tremendous increase in the number of part-time employees in the hospitality industry have resulted in management's disinclination towards training. This study exposes the advantages as a result of incentives received which would positively impact the training satisfaction. Job shadowing and on the job training influence the training satisfaction directly.

Brown et al. (2016) articulate that policies are built up by the companies for the employers and employees. This would prevent the negative publicity being posted by the employees about the company. Moreover, the study suggests that employees have to clearly recognize the pertinent regulations and edicts before their online activities regarding the company.

Tao et al. (2018) developed a frame for the empowerment course of action concerning the employee pro social contribution. The study reveals the affirmative impacts as a result of employee engagement in the CSR activities. This may probably boost the affiliation between the management and employees in the long run.

Molk and Auer (2018) investigate the internal processes of the organization in order to devise the employer brand. The study is a qualitative one. The study highlights how the employer branding helps in the formulation of brand creation. Additionally, the study focuses on the relationship between the social infrastructures and employer brand creation.

### III. PSYCHOLOGICAL CONTRACT FULFILMENT Vs ORGANIZATIONAL PERFORMANCE

This study measures the perception of employees on psychological contract fulfilment and organisational performance through well drafted questionnaire. The primary data have been collected from 109 employees who work in private sector - manufacturing units.

**Table 1: Demographic Profile**

Gender	Frequency	%	Age	Frequency	%
Male	91	83.5	Less than 25 years	58	53.2
Female	18	16.5	25 to 35 years	31	28.4
Education Qualification	Frequency	%	More than 35 years	20	18.3
SSLC	2	1.8	<i>Total</i>	109	100
HSC	6	5.5	Experience	Frequency	%
UG	52	47.7	Less than 3 years	73	67.0
PG	31	28.4	3 to 5 years	8	7.3
Others	18	16.5	More than 5 years	28	25.7
<i>Total</i>	109	100	<i>Total</i>	109	100

Table 1 displays the results of frequency analysis for demographic profile of the employees. It shows that male (83.5%) predominantly occupies the workspace and they are possessing minimum of under graduation (47.7%) followed by postgraduates (28.4%), other qualification (16.5%), HSC (5.5%) and SSLC (1.8%). More number of employees is working with the age group of less than 25 years (53.2%) followed by 25-35 years (28.4%) and more than 35 years (18.3%). Nearly 67% of the employees hold the experience of less than 3 years, more than 5 years (25.7%) and 3-5 years (7.3%). The employee's perception about employer's promises fulfilment is discussed in Table 2.

**Table 2: Employer's Promises Fulfilment**

S. No	Employer's Promises Fulfilment	Mean	Rank
1	In Training and Development. (T&D)	3.70	4
2	Recognition for new ideas. (Innovation)	3.87	1
3	Attractive packages. (Benefits)	3.69	5
4	Respectful treatment. (Treatment)	3.77	3
5	Job security is provided. (Security)	3.68	6
6	Pleasant working environment is available. (Environment)	3.84	2

Table 2 depicts mean and rank scores of the employee's perception about employer's promises fulfilment. It is clear that variable "innovation" has the highest mean value of 3.87, followed by "environment" with the mean of 3.84, "treatment" with the mean of 3.77, "T&D" with the mean of 3.70, "benefits" with the mean 3.69 and "security" of 3.68. Employee feels that employers are recognizing the new ideas. The explanation on the perception about employee's attitude is shown in Table 3.

**Table 3: Employee's Attitude**

S. No	Employee's Attitude	Mean	Rank
1	My level of commitment has been improved. (Commitment)	3.81	3
2	I am satisfied in my assigned task. (Satisfaction)	3.94	2
3	I am motivated in this company. (Motivation)	4.02	1

Table 3 shows mean and rank values of employee’s perception about their attitude. It is clear that variable “Motivation” has the highest mean value of 4.02, followed by “Satisfaction” with the mean of 3.94 and “Commitment” with the mean of 3.81. The perception about their promises fulfilment is shown in Table 4.

**Table 4: Employee’s Promises Fulfilment**

S. No	Employee’s Promises Fulfilment	Mean	Rank
1	I am trying to uphold the reputation of company. (Reputation)	3.85	6
2	More flexible in the work. (Flexibility)	3.91	5
3	I used to come up with new ideas. (Innovations)	4.07	1
4	I will work extra hours when it is needed. (Extra Hours)	4.05	2
5	I will not match my remuneration with work. (Involvement)	4.02	4
6	I will put entire efforts on my work. (Efforts)	4.04	3

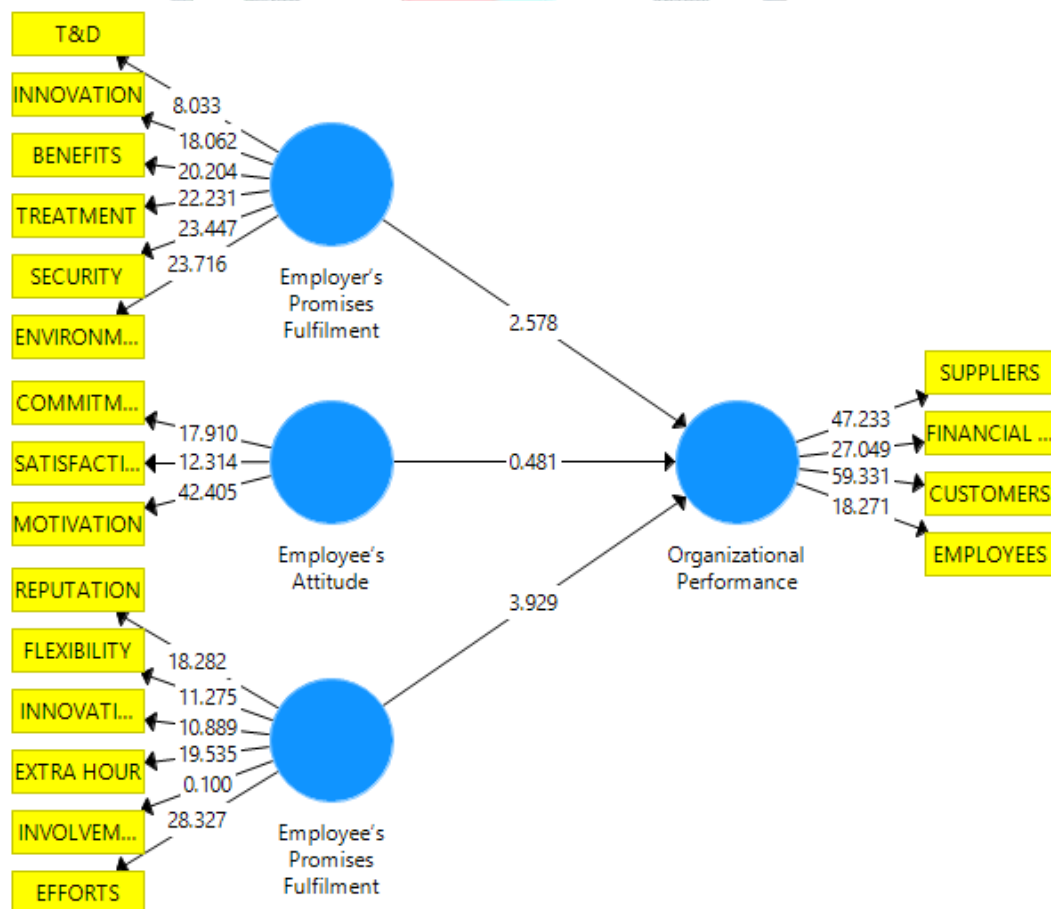
Table 4 shows that variable “innovation” has the highest mean value of 4.07 followed by “extra hours” with the mean of 4.05, “efforts” with the mean of 4.04, “Involvement” with the mean of 4.02, “Flexibility” with the mean 3.91 and “Reputation” of 3.85. Employees often offer new ideas to the management. The overall organizational performance with respect to monetary and non monetary aspects is discussed in Table 5.

**Table 5: Organizational Performance**

S. No	Organizational Performance	Mean	Rank
1	Company maintains good relationship with suppliers (Non-Financial - Suppliers)	3.83	3
2	Return on Assets (ROA) is good (Financial Performance)	3.81	4
3	Company maintains good relationship with customers (Non-Financial - Customers)	3.87	2
4	Company maintains good relationship with employees (Non-Financial - Employees)	3.98	1

Table 5 shows that variable “Non-Financial-Employees” has the highest mean value of 3.98, followed by non-financial – customers (3.87), non-financial – suppliers (3.83) and financial performance (3.81). Employee feels that organization is performing well.

The extent of influence of psychological contract fulfilment on organizational performance is measured with SEM. The results are shown in Figure 1.



**Fig. 1: Psychological Contract Fulfilment Vs Organizational Performance**

Figure shows the t value. It is clear that t value in employer’s promises fulfilment to organisational performance is 2.578; employee’s attitude to organisational performance is 0.481 and employee’s promises fulfilment to organisational performance is

3.929. It reveals that 2 out of 3 paths have t value of greater than 1.96. Hence, it states that psychological contract fulfilment significantly influences the organisational performance.

## IV. CONCLUSION

Rewards and incentives within the place of work have advantages for both employees and employers. This creates a fantastic and productive work environment for employers and workers to revel in. For an awful lot of the 20th century, psychologists and economists operated on the assumption that the simplest way to get humans to work more is by offering rewards and punishments. This is named as carrot-and-stick version of business motivation. Connection between employer and employee and their promises fulfilment amplify the organisational performance.

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