

# Psychological Contract and Organisational Commitment : A Study on IT Sector

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**ABSTRACT** - There exists an unspoken and unwritten promise between the management and employees. Purpose of the present research is to know the concept of psychological contract and organisational commitment, the bond that is there in the organisation. It is concerned with the mutual expectations of employer and employees. If an employee feels the bond or connection with the organisation, relates themselves with the organisation's goals and feels that this is the one organisation we fit in and we are made to work for then that feeling will make them more committed towards organisation. The research was done to know the impact of psychological contract on organisational commitment. The sample size taken for the research is 101 of IT sector. The technique which is used for the sampling is convenient. This research will be useful in understanding the impact of factors of commitment and psychological contract on each other. And will help organisations to form policies where the employees can feel more sense of belongingness towards organisation.

**Key Words** – *Psychological Contract, Organisational commitment, Empathy, Social awareness, Collaboration and cooperation and loyalty*

## I. INTRODUCTION

If an organisation dreams to become successful then the level of commitment between the employer and the employee should be high. The purpose of this study is to understand the relationship between psychological contract and organisational commitment. If employers and employees share good relation then this will help them to perform better. It is concerned with the mutual expectations of employers and employees where the consequences effect performance of the employees and their attitude towards their job. Windle, Treuer (2014) Psychological Contract Development – tries to examine the existing psychological literature that exists to identify the key factors that contribute to formation of psychological contracts. It is argued that employment relationships may be better managed with greater understanding of the formation and changes in the psychological contract.

## II. PSYCHOLOGICAL CONTRACT

Psychological contract can be defined as the relationship that exists between the management and the employees. It is concerned with the mutual expectations of employer and employees where the consequences includes performance of the employee and the work attitude. Psychological contract includes the promises that are sometimes unwritten or unspoken. Psychological contract pinpoints underlying process regarding the expectation within the employer and

employee to ensure a healthy and progressive relationship of both the parties.

Ghosh, Dr. Swamy D R (2014) the study was conducted on organisational commitment at workplace where the employee behaviour as well as the employees behaviour is tested to know how these two things effects each other. How they form groups and how their expectations are related with each other. The research here was conducted to know the need for establishing the relationship between the work force which is contributing positively towards the organisational commitment.

Conway and Briner (2005) the study was conducted on the explicit and implicit nature of the psychological contract. It talks about from the perspective of the employee how they take psychological contract as. This also shows how the perceives and articulate the difference between the psychological contract and legal contract.

Joanna M. Kraft (2008), the research was conducted on to understand psychological contracts and organizational commitment profiles where the effects of contract fulfilment and violation on employee outcomes. When employees violate the psychological contract it has been linked to negative workplace behaviours. In this case they discussed the implications of what the implications are there in between employees and employers. How they should work on the work in order to make effective

outcomes. This will help to know the impact of violation on employee outcomes and contract fulfilment

It explains the mutual obligations of beliefs in terms of organisational perspective .When an employee did some sort of favours to the employer be it working overtime in order to complete targets , helping other teams or providing knowledge transfers to other employees etc so he /she also expect of getting some benefits in the future as to reciprocate the work done. The various factors that have impact on the relationship between the employer and the employee like trust ,support cooperation and empathy etc plays an important role on work force as well as on organisation .

### ORGANISATIONAL COMMITMENT

The concept of organisational Commitment talks about the bond that exists between the employees and the organisation .If an employee feel the bond or connection with the organisation, relates themselves with the organisation goals and feels that this is the one organisation we fit in and we are made then this is called organisational commitment.

The employees who are committed to their organisation have higher value as compare to the one who are not committed to the organisation as they tend to be more effective ,efficient , determined and proactive whatever they do they put in their all their strength and do their work with honesty.The employees are also emotionally attached to the organisation if they are committed .The concept of psychological commitment shows that if an organisation reciprocates what they employees did for them, then this will increase the level of commitment between the employees for the organisation.

The concept of organisational concept is has three major dimensions which includes -

- Affective commitment – This type of commitment includes how many employee would like work for the organisation. This means that they are aware of the organisational goals and feels like they fit in their in the organisation .The employees feel satisfied when they work in the organisation.
- Continuance commitment – This type of commitment includes how much the employees feels the need to stay in the organisation .This includes when the employees feel like the benefits which they are getting in this organisation is better than what they will get outside .
- Normative commitment – This type of commitment includes how much the employee would like to stay with the organisation as they are more concerned for the obligations they have for the organisation and feels like if they leave the organisation they will be guilty and it will also create a void in their skills and knowledge.

### OBJECTIVES

The objectives of the research are -

- To study the relationship between psychological contract and organisational commitment.
- To know the impact of the gender on psychological contract and organisational commitment.
- To study the various dimensions of psychological contract and organisational contract.

### RELEVANCE OF THE STUDY

The research is on providing relevant factors that can help relate that if an organisation works effectively and reciprocates equally as what the employees did for them, it will eventually result in that psychological contract results in satisfaction and commitment among the employees .

- It will help to know the level of influence of psychological contract on organisational commitment.
- It will help to know what factors will help in improving the relations and understanding the behaviour.
- Assessing the employees perception for employee obligation and his /her own obligation.
- Finding new sights that will either extend or challenge current assumptions which are there in psychological contract concepts and the implication for how they are supposed to get measured.

### III. RESEARCH METHODOLOGY

The study is both descriptive and exploratory in nature. As descriptive research will provide planned way band structures design to work on in getting the information. This helps getting a better define to an opinion, attitude or behaviour held by the group .Whereas Exploratory research provides a way to develop new insights for the study which helped to know the factors which also have impact on each other .

### HYPOTHESIS

The hypothesis were formed to as there are statistical test which will be used to determine whether there is enough evidence in the sample to infer that a certain condition is true for the entire population or not .

H1- There exists a relationship between psychological contract and organisational commitment.

H2- There exists a significant difference between psychological contract and organisational commitment in males and females.

H3- There exists positive relationship between collaboration ,cooperation , building bonds with the loyalty towards the organisation.

#### IV. FRAMEWORK OF ANALYSIS

After collecting the data analysis was done using SPSS - 21 software and excel sheet.

#### SOURCES OF DATA COLLECTION

The method of collection of the data is through both the means i.e primary as well as secondary means.

The instrument which is used to collect the data is questionnaire. The sector which is taken for the research is IT sector with sample of 120 out of which data of 101 is valid .

**Primary data**– The respondents who were taken for the study are working in the IT sectors of various MNC’s .The data is collected through questionnaire which is online survey to collect the data .

**Secondary data** - For the research process the various journals , research papers were studied ,various books were taken for the references and online data which is available on the web were taken for the research process.

#### SAMPLE SIZE

The technique for sampling which is used for the research is convenient sampling . The sample which is taken for the research process is 120, out of which 101 responses are valid.

#### GENDER DISTRIBUTION OF THE RESPONDENTS –

Gender	
Male	Female
Count	Count
63	38

Table - i

The data was collected from 101 respondents and statistical tools were applied such as correlation , F test , mean score and reliability analysis using MS Excel and SPSS –21 in order to understand the objectives of the study.

This study includes set of 15 questions of two different phases which are –

- 1) Psychological contract
- 2) Organisational commitment

#### Reliability of questions taken for psychological contract

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#### Case Processing Summary

	N	%
Valid	101	100.0
Excluded <sup>a</sup>	0	.0
Total	101	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.768	.787	15

Table - ii

The results shows that the Cronbach’s Alpha value for psychological contract is .768 indicating good internal consistency.

#### Reliability of questions taken for organisational commitment:

#### Case Processing Summary

	N	%
Valid	101	100.0
Excluded <sup>a</sup>	0	.0
Total	101	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.871	.878	15

Table -iii

The results shows that the Cronbach’s Alpha value for organizational commitment is .871 indicating good internal consistency.

#### CORRELATION

H1a- There exists a positive relationship between psychological contract and organisational commitment.

#### Descriptive Statistics

	Mean	Std. Deviation	N
PC	3.8937	.40268	101
OC	3.4271	.53692	101

#### Correlations

	PC	OC
Pearson Correlation	1	.390**
Sig. (2-tailed)		.000
N	101	101
Pearson Correlation	.390**	1
Sig. (2-tailed)	.000	
N	101	101

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table – iv

**INTERPRETATION –**

The Pearson correlation (r) between psychological contact and organizational commitment is .390. This means that there is a moderate but positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. The

P value is less than 0.05, accept H1 that means there exists a positive relation between components of psychological contract and organisational commitment .

**F-TEST**

H2o-There exists no significant difference between Psychological contract and organisational commitment in males and females.

H2a- There exists significant difference between psychological contract and organisational commitment in males and females.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
PC	Between Groups	.337	1	.337	2.104	.150
	Within Groups	15.877	99	.160		
	Total	16.215	100			
OC	Between Groups	1.602	1	1.602	5.824	.018
	Within Groups	27.226	99	.275		
	Total	28.828	100			

Table -v

**INTERPRETATION**

The results indicates that the gender as the factor has a significant impact in the way the perceives the psychological contract and organizational commitment at work place. The genders perceive differently for psychological at workplace, thus the p value is less than 0.05. Thus we reject Ho and accept Ha .

In contrast the gender thinks alike on organisational commitment therefor the p value is more than .05 thus we accept the null accept and reject the alternate hypothesis.

**CORRELATION**

H3o- there exists no positive relationship between collaboration , cooperation , building bonds with the loyalty towards the organisation.

H3a- There exists positive relationship between collaboration ,cooperation , building bonds with the loyalty towards the organisation.

Correlation IJREAM & Management

		Involvement	Loyalty	Identification	work performance	Trustworthiness
Collaboration and cooperation	Pearson Correlation	-.115	.024	.189	.237*	.343**
	Sig. (2-tailed)	.252	.815	.059	.017	.000
	N	101	101	101	101	101
Self-Awareness	Pearson Correlation	-.041	-.107	-.012	.058	.072
	Sig. (2-tailed)	.684	.289	.904	.563	.477
	N	101	101	101	101	101
Working towards shared values	Pearson Correlation	-.242*	.118	.296**	.138	.447**
	Sig. (2-tailed)	.015	.241	.003	.167	.000
	N	101	101	101	101	101
empathy	Pearson Correlation	-.130	-.050	.051	.077	.241*
	Sig. (2-tailed)	.197	.620	.612	.445	.015
	N	101	101	101	101	101
Social awareness	Pearson Correlation	-.017	.132	.402**	.331**	.320**
	Sig. (2-tailed)	.865	.189	.000	.001	.001
	N	101	101	101	101	101

Table - vi



## V. INTERPRETATION

The study was conducted to know the relationship between psychological contract and organisational commitment. To know the impact of the various parameters of psychological contract on organisational commitment. The hypothesis formed in the research have proved that the psychological contract have positive relationship with organisational commitment which means that if one factor changes positively then that will have positive impact on the other factor as well.

**According to the objective - To study the relationship between psychological contract and organisational commitment** which is formed to know whether there exists a positive relationship between psychological contract and organisational commitment. Shows that the correlation between both the variables is moderately positive and the level of significance is high. The Pearson correlation ( $r$ ) between psychological contact and organizational commitment is .390. This means that there is a moderate but positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. The P value is less than 0.05, therefore we reject  $H_0$  (null hypotheses) and accept  $H_1$  (alternative hypotheses).

**According to the objective - To study how psychological contract is perceived by the employees** argued with the fact that there is a significant difference in the terms of gender i.e males and females.: The results indicates that the gender as the factor has a significant impact in the way the perceives the psychological contract and organizational commitment at work place. The genders perceive differently for psychological at workplace, thus the p value is less than 0.05. Thus we reject  $H_0$  and accept  $H_a$ .

In contrast the gender thinks alike on organisational commitment therefor the p value is more than .05 thus we accept the null accept and reject the alternate hypothesis.

**According to objective 3 - To study the various dimensions of psychological contract and organisational contract.** the various dimensions of psychological contract and organisational contract. argued with the fact that the parameters of psychological contract have positive relationship on the parameters of organisational commitment which comes out to be positive as they have positive correlation and the impact is positive. The Pearson correlation ( $r$ ) between variable of psychological contract that is 'collaboration' and variable of organizational commitment that is 'work performance' is .237 and trustworthiness is .343. This means that there weak but a positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. Also this shows that collaboration

and cooperation variable of psychological contract is triggering organizational commitment and work performance' in a more significant manner than involvement, loyalty and identification variable of organizational commitment.

The Pearson correlation ( $r$ ) between variable of psychological contract that is 'working towards shared values' and variable of organizational commitment that is 'identification is .296 and trustworthiness is .447. This means that there weak but a positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. Also this shows that collaboration and cooperation variable of psychological contract is triggering identification, trustworthiness in a more significant manner than involvement, loyalty and work performance variable of organizational commitment.

The Pearson correlation ( $r$ ) between variable of psychological contract that is 'empathy' and variable of organizational commitment that is 'trustworthiness is.241. This means that there weak but a positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. Also this shows that empathy variable of psychological contract is triggering trustworthiness in a more significant manner than involvement, loyalty, work performance and identification variable of organizational commitment.

The Pearson correlation ( $r$ ) between variable of psychological contract that is 'social awareness' and variable of organizational commitment that is identification is .402 'work performance' is .331 and trustworthiness is .320. This means that there weak but a positive correlation. And correlation between them is significant. The direction of the relationship found here is positive that is change in one variable will trigger a change in the other variable too. Also this shows that collaboration and cooperation variable of psychological contract is triggering organizational commitment and work performance' in a more significant manner than involvement and loyalty variable of organizational commitment.

## VI. CONCLUSION

Psychological contract is the relationship that exists between the management and the employees. It is concerned with the mutual expectations of employer and employees where the consequences include performance of the employee and the work attitude. The impact of psychological contract has effect on the organisational commitment. If the contract or relationship between the employers and employees is positive than this will have impact on the level of commitment between the organisation and employees.

According to the outcomes which is derived from the study shows that the parameters of psychological contract which are collaboration and corporation, empathy, self-awareness, social awareness and building bonds have impact on the parameters of the organisational commitment which are involvement, loyalty, identification, work performance etc. there exists a positive relationship between psychological contract and organisational commitment. If the contract among the employees and employers is positive than this will improve the commitment among the employees towards the organisation. The concept of psychological commitment shows that if an organisation reciprocates what they employees did for them, then this will increase the level of commitment between the employees for the organisation. Employees with a mutual-high obligations psychological contract were found to have higher levels of contract fulfilment and affective commitment. Psychological contract fulfilment and affective commitment, indicating that employees who perceive that their organizational fulfils the obligations are more likely to show affective commitment towards their employer.

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