

## Extra Contractual Relations - the Substance of Academics' Psychological Contracts in New Zealand

Rupert Tipples and Paul Jones  
Lincoln University

A better understanding of employees' psychological contracts can help develop employment strategies which achieve ongoing congruence between the mutual expectations, beliefs and perceived obligations of employees and their employing organisations. Such congruence is necessary for maximising productivity and commitment in our increasingly contractual society. However, there has been limited empirical research on psychological contracts. US research has tended to explore psychological contracts through forced choice questions that have not generated the content of such contracts afresh. A critical incident approach was used to explore the substance of academics' psychological contracts at a New Zealand university from a zero base. Comparisons are made of the data resulting from both approaches and conclusions are drawn about their relative value. The implications for improving academics' employment relationships are discussed.

### Introduction

Employment relationships can be conceived of as having two parts: Legal - setting out the respective rights and duties between the parties; and Psychological - covering the myriad of expectations, perceptions, beliefs and promises about the reciprocal mutual obligations in the exchange agreement between the parties. While the first is not always clear cut, the second is often the source of confusion and misunderstanding which can lead to the relationship functioning poorly. To have a good employment relationship built upon a sound psychological contract it is necessary to have a good match between the expectations, promises, beliefs and perceived obligations of employees and their employing organisation and *vice versa* (Tipples, 1996). As future competitive advantage is likely to come from an organisations' employees and how they think and work, it will be driven by the quality of the employment relationships operating (Herriot, 1992; Pfeffer, 1994; Burack *et al.*, 1994).

Research at a New Zealand university on the effects of economic, political and educational changes on academics' employment relationships and psychological contracts (Tipples and Krivokapic-Skoko, 1996) revealed that legal contracts of employment had not changed much; but that the university had violated its staff's psychological contracts. It had broken promises with 27 percent of responding academics. Academics believed the university owed them "Job Satisfaction" above all else, then "Career Development"; they believed they owed the university "Loyalty" first, and then "Working outside office hours". The changes in employment relationships resulted from:

- Increased administration, accounting and auditing;
- Decreased time for scholarship and research;
- Development of an antagonistic them/us *managerialist* culture instead of a collegial spirit; and that:
- Cooperation had been replaced by intra-organizational competition.

In academics' eyes external changes had been compounded by managerial actions, and future changes were expected to make things worse before they became better. For better psychological contracts and employment relationships attention needed to be paid to:

- Avoiding broken promises, however small.
- Giving out clear consistent messages to staff.
- Enhancing the role of HODs as contract makers by linking the staff development and appraisal policy more closely with academic promotions.

- Encouraging academics to focus on their core business - Scholarship, Teaching and Research, and releasing them from unproductive administrative and auditing activities.

A limitation of the research was the way in which the content of academics' psychological contracts was identified. Because the research programme had been developed very quickly, existing questions from other research had been *borrowed* with minor modifications to establish what were the critical dimensions of academics' psychological contracts. This practice had the advantage of not only being speedier in terms of development but also of giving a comparable set of results. But as the original research was from the U.S.A. (Rousseau, 1990) did New Zealanders have the same sort of content to their psychological contracts? Were the questions as meaningful to New Zealand academics? Were there other issues which were part of New Zealand academics' psychological contracts but were omitted from the American research? For example, academics had been asked to rate the importance of the extent to which they believed the university owed them six factors: "Promotion", "Performance based pay", "Career development", "Long term job security", "Job satisfaction", and "Support with personal problems"; and also the extent to which they believed they owed the university "Loyalty", "Working outside ordinary office hours", "Volunteering for non-required jobs", "Willingness to accept transfers within the University", "Giving advanced notice of leaving", and "Spending a minimum time in the University's employment". Were there other significant issues which were not touched upon? Another problem with the American research was that it was based on a sample of MBA students rather than a more normal range of the population.

However, there was already an alternative method for establishing the content of psychological contracts afresh, with no pre-conceived biases intruding (Manning, 1992; Herriot *et al.*, 1997). This technique imputed the content of psychological contracts from "critical incidents" (as in Flanagan, 1954) and thus avoided attributional biases. Herriot *et al.* required their respondents:

"...to recall incidents at work where an employee or the organization went beyond or fell short of what might reasonably be expected of them in their treatment of the other party. It was reasoned that the nature of the obligation can be inferred from each incident of an expectation being violated or exceeded. It was assumed that the more frequently a particular category of obligation was cited, the more salient it was overall in the minds of the respondents, and thus the more prominent a component of the psychological contract for them." (p. 154)

They inferred twelve categories of organisational obligations and seven of employee obligations. Both groups identified these categories, but their relative salience differed. There were dangers in their holding different perceptions of the reciprocal factors balance. The implication of this was that an organisation should only expect their employees' commitment if they had fulfilled their side of the reciprocal exchange.

## Research objective

With the alternative method provided by Herriot, Manning and Kidd, the content of academics' psychological contracts could then be examined in a new and totally fresh way with no preconceptions whatsoever. The tantalising question: "Would the answers provided by the two different techniques be consistent or variant, and would that have practical implications for academic management?", pushed the research along. Previously there did not seem to have been any attempt to link the results of Rousseau *et al.*'s American research team and Herriot *et al.*'s UK based team. Nor had these methods been applied to the same base population, albeit at marginally different time periods. Consequently the research objective was to explore the content of academics' psychological contracts *de novo* using Herriot *et al.*'s critical incident method, and compare the results with those obtained formerly in 1996 with Rousseau *et al.*'s methods.

## Methodology

As far as possible the methods used by Herriot *et al.* were duplicated in New Zealand. An initial attempt to conduct the research by mailed questionnaire demonstrated that this approach was totally impractical. Only two out of fifteen in the pilot sample responded despite reminders, and some said they did not understand the research and so they could not be bothered. However, when approached individually many agreed to be interviewed and to have their recollections of critical employment incidents recorded. This approach was then adopted. A master list of academic staff was prepared from the *University Calendar 1997*.

*Table 1: The content of psychological contracts of academics of the university*

As an academic employee of the university, please could you describe for me the employment incidents described below :

Actor(s)	The University	Academic employees
Subject	Academic employees	The University
<b>Bad treatment</b>	1. "Where you think an employee or group of employees have been treated badly. By that I mean in a way that you regard as below how you would expect the University to treat you or your colleagues."	3. "Where you think the University was treated badly. By that I mean in a way that you regard as below how you would expect yourself or your colleagues to treat the University."
<b>Good treatment</b>	2. "Where you think an employee or group of employees have been treated favourably. By that I mean in a way that you regard as beyond how you would expect the University to treat you or your colleagues."	4. "Where you think the University was treated favourably? By that I mean in a way that you regard as beyond how you would expect yourself or your colleagues to treat the University."

From that list academics were purposely selected to give a nearly complete picture of the content of academic managers' psychological contracts. Also, other academic employees were purposely selected to give a good range of academic departments, age, gender and length of service. Each was then invited to participate in the research, which was presented as a continuation of the research started in the survey carried out in 1995/6. Almost all said they had participated in that. After a brief introduction outlining the problems that were perceived in the initial survey, each interviewee was introduced to the critical incident technique, which was presented in tabular form (Table 1). Their responses were all recorded and transcripts of them made. From these transcripts individual incidents were categorised using the framework previously prepared by Manning (1992). In total critical employment incidents were collected from 53 academics (16 managers and 37 others). Those academics provided 339 critical employment incidents; 172 of those were university obligations and 167 employee obligations. Originally it was intended to gather data from a wider more representative sample of academic staff. Unfortunately the intervention of an unprecedented restructuring of the university by a new Vice Chancellor occurred during the middle of the intended data gathering period. Consequently it was decided not to extend the sample and data collection further less the downsizing of the university affected the data collected subsequently. Examples of the types of incidents in the four forms given in Table 1 follow, with the number of the category of incident given in brackets:

#### *1. University bad treatment:*

" A term contract of appointment for an academic who had previously been employed fulltime was coming up for renewal but there was no contact from Human Resources. Approached Head of Department. The academic was reliant upon the expectation of income. Appointments were postponed three times. Then shortly before the academic year the Head of Department was approached again, but said there was no money, and started playing on the computer. The individual sent e-mails to (senior management) about the inconsiderate treatment. Then Human Resources apologised about the handling of the situation..." (4)

#### *2. University good treatment:*

"Former Head of Department was a superb Head of Department and manager of his Department, which was of benefit to all his staff. He had time for his staff. His management of people was excellent." (8)

The case of an Economist (meningitis leading to amputation of all four limbs) , "...keeping him on the payroll when his continuing was very uncertain - US employers were seen as much more legalistic,...harder. M. had not been here that long but the University's commitment to him was very commendable." (12)

### 3. Academic employees' bad treatment:

"A lot of people abuse the freedom of use of time e.g. "where an academic employee parks his vehicle in the staff car park and then their partner takes them to a farm that they own elsewhere and they work all day on the farm. They go upstairs, they turn their computer on, they turn their lights on, and they disappear." (13)

"A colleague who received a phone call from a government organization requesting information and advice. Their response was curt and unhelpful, and did not reflect well on this aspect of the University's mission." (16)

### 4. Academic employees' good treatment:

"A supervisor who worked well after midnight to assist a graduate student submit a thesis prior to a fees deadline." (13)

"People who make a huge effort to the student body, rather than the University etc. e.g. Paying attention to subject delivery, being there when the students need help, caring about student success/finding jobs etc...Putting the effort in to help the students; NOT for the bureaucracy. Some do the admin. to compensate for those who do not do much." (14)

## Results

Critical incidents were coded using Manning's classification which seemed to cope adequately with all the incidents cited. The final categorisation of critical employment incidents using Manning's framework is given in Table 2. The incidents were divided in two groups: those imputing organisational and those imputing employee obligations. In terms of the obligations imputed to the university (forms 1 and 2, Table 2a), the most salient, those most frequently

Table 2: Categories of employment incidents and obligations imputed

### (a). Organisational obligations

Incidents Class:	Description of incident type	No	%
1. Training	Providing adequate induction and training	5	2.9
2. Fairness	Ensuring fairness of selection, appraisal, promotion and redundancy procedures.	20	11.6
3. Needs	Allowing time off to meet personal and family needs.	4	2.3
4. Consult	Consulting and communicating with employees on matters which affect them.	21	12.2
5. Discretion	Minimal interference with employees in terms of how they do their job.	4	2.3
6. Humanity	To act in a personally and socially responsible and supportive way towards employees.	5	2.9
7. Recognition	Recognition of or reward for special contribution or long service.	28	16.3
8. Environment	Provision of a safe and congenial work environment; managerial support etc.	34	19.9

<b>9. Justice</b>	Fairness and consistency in the application of rules and disciplinary procedures.	14	8.1
<b>10. Pay</b>	Equitable with respect to market values and consistently awarded across the organisation.	5	2.9
<b>11. Benefits</b>	Fairness and consistency in the administration of the benefit system.	12	7.0
<b>12. Security</b>	Organisations trying hard to provide what job security they can; jobs preserved in redundancy, illness or accident as far as possible.	20	11.6
<b>TOTAL</b>		172	100.00

**Table 2 (b). Employee obligations**

<b>Incidents Class:</b>	<b>Description of incident type</b>	<b>No %</b>	
<b>13. Hours</b>	To work the hours you are contracted to work	45	26.9
<b>14. Work</b>	To do a good job in terms of quality and quantity.	54	32.3
<b>15. Honesty</b>	To deal honestly with the clients and with the organisation.	12	7.2
<b>16. Loyalty</b>	Staying with the organisation, guarding its reputation, and putting its interests first.	39	23.4
<b>17. Property</b>	Treating the organisation's property in a careful way.	9	5.4
<b>18. Self-presentation</b>	Dressing and behaving correctly with customers and colleagues.	0	0
<b>19. Flexibility</b>	Being willing to go beyond one's own job description, especially in emergency.	8	4.8
<b>TOTAL</b>		167	100.00

cited, were those relating to the Environment of university work, which were 20 percent of incidents. The second most salient group of incidents were those relating to Recognition (16 percent), followed by those relating to Consultation (12.2 percent) and those relating to Fairness and Security (11.6 percent each).

Of employee obligations (Table 2b), the most frequently cited were those relating to Work (32 percent), then to Hours (27 percent) and thirdly to Loyalty (23 percent). These show a remarkable likeness to Herriot *et al.*'s results and the two groups of results are compared in Table 3.

In terms of the total number of incidents cited by each group for three of the four groups in the comparison (Table 3) the Environment of work was the most important component of organisations' psychological contracts with their employees. Then Recognition was of second importance to academic staff compared to Humanity for UK Managers and Pay for UK employees, while Fairness was of third importance for all except for academic managers for whom it was fourth. Security was of fourth importance to all groups except UK Managers.

Like Herriot *et al.* (1997) we conclude that both academic manager and employee groups cite the most frequently as employee obligations the traditional components of doing a good job in terms of quality and quantity of work done, and time worked. For university staff, the third major component was loyalty; in the UK honesty was third. At the university there was a long tradition of loyalty to the institution, but that has been sorely tested by recent events. Honesty has rarely been a major issue.

In few cases were the components of the psychological contracts imputed fully balanced. The reciprocal nature of the contract was perceived differently by academic manager and employee groups, but there was no consistency in the differences (Table 4). Part of the inconsistency may result from the small size of the groups studied and from academic managers responding as employees themselves, although they were asked not to do so. It may also stem from their frustrations as middle managers with the actions or lack of action by senior management. Lack of consultation was often cited as a problem.

*Table 3 : Incidents cited by employment status of academic staff*

*a). Imputed obligations of the university*

<b>Incidents Class:</b>	<b>Academic Managers %</b>	<b>Academic Employees %</b>	<b>Herriot <i>et al.</i>, UK Managers %</b>	<b>Herriot <i>et al.</i>, UK Employees %</b>
<b>1. Training</b>	4.3	2.4	8.4	9.6
<b>2. Fairness</b>	8.7	12.7	12.9	10.8
<b>3. Needs</b>	4.3	1.6	4.9	5.8
<b>4. Consult</b>	15.2	11.1	4.9	5.4
<b>5. Discretion</b>	2.2	2.4	2.1	5.4
<b>6. Humanity</b>	2.2	3.1	14.3	7.3
<b>7. Recognition</b>	19.6	15.1	10.8	4.2
<b>8. Environment</b>	23.9	18.3	8.7	15.0
<b>9. Justice</b>	2.2	10.3	4.2	5.4
<b>10. Pay</b>	2.2	3.1	6.3	11.9
<b>11. Benefits</b>	6.5	7.1	16.4	9.6
<b>12. Security</b>	8.7	12.7	6.3	9.6
<b>TOTAL</b>	100	100	100	100
<b>Number of incidents</b>	46	126	287	260

## b). Imputed academic employee obligations

Incidents Class:	Academic managers %	Academic employees %	Herriot <i>et al.</i> , UK Managers %	Herriot <i>et al.</i> , UK Employees %
13. Hours	31.9	25.0	28.1	32.1
14. Work	29.8	33.3	22.3	19.4
15. Honesty	6.4	7.5	16.9	15.2
16. Loyalty	25.5	22.5	11.6	4.2
17. Property	2.1	6.7	3.7	8.4
18. Self-presentation	0	0	5.8	10.5
19. Flexibility	4.3	5.0	11.6	10.1
TOTAL	100	100	100	100
Number of incidents	47	120	242	237

**Discussion**

There is a degree of consistency between these results and Tipples and Krivokapic-Skoko (1996) using questions derived from Rousseau *et al.*'s research. In 1996 academic employees believed that the university owed them above all else "Job Satisfaction". In 1997 the major component of the psychological contract was imputed as being concerned with the work Environment. The Rousseau measure did not differentiate between the components of Job Satisfaction, but data were also collected from each respondent for the Job Descriptive Index JDI (Smith *et al.*, 1969). One of the JDI scales measured Satisfaction with Work, which was significantly lower than the Satisfaction with work of an equivalent group of US academics. , suggesting that academic managers and employees were not getting as much satisfaction from their work as possible. Further, 94 percent of the incidents cited, which were classified in the Environment class, were concerned with the university treating its employees in a way that was below that expected (Table 4). So the two sets of results seem consistent in that respect.

Table 4: Incidents grouped by form of incident

## (a). University treatments

Incidents Class:	University bad treatment %	University good treatment %	Number of incidents
1. Training	60	40	5
2. Fairness	95	5	20
3. Needs	0	100	4
4. Consult	100	0	21
5. Discretion	50	50	4

<b>6. Humanity</b>	60	40	5
<b>7. Recognition</b>	32	68	28
<b>8. Environment</b>	94	6	33
<b>9. Justice</b>	78	22	14
<b>10. Pay</b>	80	20	5
<b>11. Benefits</b>	16	84	12
<b>12. Security</b>	9	91	22

"Loyalty" and "Work outside ordinary Office hours" were the most important factors academics believed they owed to the university using Rousseau's approach. Hours and Loyalty were the second and third major components of individual's psychological contracts cited by the employee group studied and first and third of those cited by employers. The weakness of Rousseau *et al.*'s research appears to be its failure to identify the quality and quantity of employees' work as one of the major components of individuals' psychological contracts. Consequently, the original speculation that Rousseau *et al.* might have omitted important components of psychological contracts appears to be correct.

Table 4 (b). Employee treatments

<b>Incident class</b>	<b>Employee bad treatment %</b>	<b>Employee good treatment %</b>	<b>Number of incidents</b>
<b>13. Hours</b>	22	78	45
<b>14. Work</b>	53	47	53
<b>15. Honesty</b>	100	0	12
<b>16. Loyalty</b>	52	48	39
<b>17. Property</b>	55	45	9
<b>18. Self presentation</b>	0	0	0
<b>19. Flexibility</b>	25	75	8

Rousseau *et al.* developed their questions from talking to a group of Human Resource and Personnel managers. Apparently they did not consult real employees and have appeared to leave out the obvious. Therefore there must be some doubt as to whether Rousseau and her colleagues questions for elucidating the content of individuals' psychological contracts were really as adequate as they were thought to be.

## Conclusions

Herriot, Manning and Kidd's critical incident approach does provide a viable way to assess the content of psychological contracts *de novo*. Using Rousseau's questions as in the 1995 attempt to establish the nature of academics' psychological contracts was not appropriate without substantial pre-testing to discover if they were applicable to the New Zealand academic situation, and then only after appropriate modification. In terms of the obligations facing employees, the content of psychological contracts appears to be concerned with the traditional

issues of quantity and quality of work done, time applied to that work and loyalty to the employer. Obligations of the employer centered around providing a suitable work environment, supportive management, appropriate recognition for special achievements, adequate consultation, fairness and job security. Academic managers and employees had different views on the most salient features of psychological contracts, but there was no consistency to these differences in this study.

## Implications

First, Herriot, Manning and Kidd's "critical incident" approach could be used to investigate *de novo* the content of psychological contracts for other groups of workers. This approach would then provide guidance on the critical issues for inclusion in questions designed to facilitate quantitative analyses of psychological contracts such as Rousseau and her colleagues and students have done (e.g. Robinson (1996)). Secondly, the differences between the academic manager and employee groups in terms of their perceptions of the mutual obligations, promises, and expectations forming the reciprocal exchanges of academics' psychological contracts is a continued cause for concern for both groups. A lack of congruence or match in these mutual and reciprocal exchanges may cause psychological contracts, and thus the employment relationship to be unstable. For both parties this is undesirable, and adapting a strategy to achieve stable employment relationships based on good psychological contracts (Tipples, 1996) should provide the motivation, commitment and the security to innovate for the 21st. century. Failure to combat dysfunctional psychological contracts leading to their breach or violation can have damaging effects on the employment relationship and especially the mutual trust between the parties. Prior trust has been shown to have an impact on the recognition and interpretation of breaches of contract. If prior trust moderates the impact of a breach, it may be suggested that actively establishing and maintaining trusting relationships with employees inoculates the employees from the effects of potential contractual transgressions. Where employers can earn the trust of employees early on, employees will be less likely to perceive a contract breach in the first place and more likely to retain their trust despite possible changes or breaches (perceived or actual) in the employment agreement (Robinson, 1996, 596). The university needs to be aware of this factor because of its poor record at consulting particularly with its managers. A vicious circle of mistrust, interpreting a breach of trust as a violation rather than a breach, and further loss of trust, may incapacitate the university if it attempts to restructure itself to face the new century. In contrast, a trust building strategy would facilitate any proposed restructuring.

## References

- Burack, Elmer H., Burack, Marvin D., Miller, Diane M. and Morgan, Kathleen (1994) "New Paradigm Approaches in Strategic Human Resource Management", *Group and Organization Management* 19(2), 141-159.
- Flanagan, J. C. (1954) "The critical incident technique", *Psychological Bulletin*, 51, 327-358.
- Herriot, Peter (1992) *The Career Management Challenge* Sage Books Ltd., London
- Herriot, Peter; Manning, W.E.G.; Kidd, Jennifer M. (1997) "The content of the psychological contract", *British Journal of Management* 8, 151-162
- Manning, W.E.G. (1992) *The content of the psychological contract between employees and organisations in Great Britain in the early 1990s* Ph.D thesis, London University.
- Pfeffer, Jeffrey (1994) *Competitive Advantage through People* Harvard Business School Press, Cambridge, MA
- Robinson, Sandra L. (1996) "Trust and breach of the psychological contract", *Administrative Science Quarterly* 41, 574-599
- Rousseau, D.M. (1990) "New hire perceptions of their own and their employer's obligations: a study of psychological contracts" *Journal of Organizational Behavior* 11(5), 389-400.
- Tipples, Rupert (1996) "Contracting: The Key to Employment Relations", *International Employment Relations Review* 2(2), 19-41
- Tipples, Rupert and Krivokapic-Skoko, Branka (1996) "New Zealand academics and performance management - Changing academic careers, legal and psychological contracts at Lincoln University since 1990". 4th Conference, International Employment Relations Association, Southern Cross University, N.S.W. 10-12 July.