

Chapter 3 Case: The psychological contract in a nursing home

This case would be useful to use in a lecture or seminar addressing the following topics:

- Social perception
- Organizational commitment
- Psychological contracts

Issues that are raised by the case include:

1. Can organizations ever prevent employees from being dishonest or disloyal?
2. How can psychological contracts be adequately managed if they are implicit?

Suggested Response

Can organizations ever prevent employees from being dishonest or disloyal?

The case illustrates the difficulties that surround attempts to ensure that employees will not behave in ways that compromise the interests of the organization and, in this case, its vulnerable clients. Selection methods can do little to predict this sort of behaviour, because it is highly unlikely that someone would admit to 'being dishonest' in an interview or personality test. It is also unlikely that a selector could make such a judgement in a selection situation. This is why organizations continue to rely on references from previous employers at the selection stage, as this is probably the only realistic indicator of the candidate's honesty that they might be able to obtain.

Increasingly, organizations recognise that securing loyalty and commitment from employees is related to how employees are treated. Thus, organizations offer employees tangible benefits, such as good pay and bonus systems, and training and development opportunities, as well as more intangible inducements, such as the utilisation of fair procedures to distribute and allocate rewards, and encouraging managers to develop quality relationships with their staff. As this case illustrates, despite offering several inducements, one staff member violated the rights and dignity of the clients in the home, as well as the trust of the employer. The consequence of this was that even though the rest of the staff were probably unlikely to behave in this way, the owner felt obliged to implement procedures to prevent further abuses. This illustrates how difficult it is for organizations to allow control over performance to rest solely in the hands of employees, no matter how committed they might be to empowerment. While increased surveillance may well stop the type of abuse that is illustrated in the case, organizations can do little to prevent employees from subverting or ignoring other 'rules' or 'norms'.

How can psychological contracts be adequately managed if they are implicit?

The psychological contract is concerned with the beliefs that employees hold about the reciprocal obligations that exist between themselves and their employer. The case illustrates that the obligations an employee might feel an organization owes them, may not be the same as the obligations the organization believes the employee to hold. This is because, as the case illustrates, many of these beliefs are implicit – they are not stated out loud. Rousseau & Parks (1993) differentiate

between transactional and relational aspects of the psychological contract. In this case, the transactional elements include employees' pay and conditions, which do tend to be explicit. However, we see from the reactions of staff to the installation of CCTV, that there are also relational, unstated aspects of the psychological contract, including the belief that the organization is obligated to trust staff to behave in a professional manner without being monitored. Some staff may also develop the belief that the organization should enable them to work in a relaxed, friendly atmosphere, that encourages socialization and eschews hierarchical differences.

The case further illustrates the point raised by many academics that because many beliefs that comprise of the psychological contract are implicit, they only surface once they are violated in some way. For the owner of the care home, we see that her belief that employees should behave with integrity as a reciprocal obligation for the trust she placed in them was breached by the theft, causing a fundamental change in the employment conditions in the organization. We see a similar process occurring for Joyce. Beliefs about mutual obligations, as the case shows, may not be congruent and it can be very difficult to align these beliefs if individuals have fundamentally different interests at stake, as is the case here. Diane places the needs of the clients and her reputation as paramount, whereas for some staff, it is the friendly and informal atmosphere that provides their job satisfaction.

A further issue raised by the case is that psychological contracts are essentially *dynamic* – they evolve over time and as a consequence of day-to-day experiences of work. The way that the care-home was run prior to the theft is very different to the way it is run subsequently, and as we see, this has had a negative affect on at least one member of staff. Finally, the case reveals that psychological contracts are *idiosyncratic*. Joyce's psychological contract was different to that of Sally. In large, complex organizations, trying to ensure that the psychological contracts of staff are effectively becomes even more difficult.

Reference

Rousseau, D.M. & Parks, J.M. (1993) The contracts of individuals and organizations. In L.L. Cummings & B.M. Staw (eds) *Research in Organizational Behavior*. Greenwich, CT: JAI Press.