

MODERATING ROLE OF CONFLICTS ON PSYCHOLOGICAL CONTRACTS LEADING TOWARDS BREACH: IMPACT ON SATISFACTION, TRUST AND COMMITMENT

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INTRODUCTION

In today's dynamic environment, almost all organizations are changing their structures. Group tasks and interactions, aggressive confront and challenges for business positioning are elevated. It is important for the individuals to develop skills to efficiently deal with conflicts in a diversity of workplace situations. Management of conflicts is so important for organizational and career success; every employer must learn the skills for effectively managing conflict in today's workforce. Conflict is a phenomenon to be seen everywhere; where there are interdependencies between people. While talking about organizations, conflicts pervade a huge number of organizational procedures and results. Conflicts are omnipresent and very important for the managers (Barki and Hartwick 2001). Conflicts and their outcomes have drawn amplified interest of researchers and scholars in the fields of psychology and organizational behavior. These stubborn conflicts can have an impact on employees' psychological contracts. Psychological contracts refer to the mutual expectations and perceptions about the employment exchange relationship. These perceptual contracts are of two types; Relational and Transactional. Breach, of these contracts, leads towards certain employee outcomes such as satisfaction, commitment, trust and stress. Conflicts can moderate the relationship between psychological contract and breach. Three types of conflicts i.e. task conflict, process conflict and interpersonal conflicts are studied for two types of psychological contracts.

Drawing from three areas of theory conflict management, psychological contracts and OB outcomes I develop a conceptual model of relationships between individual expectations and conflict management. Using conflict management theory and psychological contracts (transactional vs relational), I argue that conflict type can play a moderating role in the relationship of psychological contract type and breach. Three types of interpersonal conflict are discussed i.e. relational conflict, task conflict and process conflict. Task conflict having strong connection with tasks will moderate transactional type of contract. Similarly process conflict originating from interests in authority and resources will also moderate short term transaction contract. Relational conflict, involving emotions, will moderate the relational contract.

CONFLICTS AND CONFLICT TYPES

Conflict is mainly a supposed and perceived experience. It is all about the perception of individuals which concludes if a conflict is present. Conflict is a state of friction due to interdependence among people who have different orientation of needs, values or interests and bear intrusion by each other in fulfillment of these interests (Wilmot & Hocker, 1998). Conflict is inevitable when people work in groups or teams, in departments, with boss, or even in one organization. Every employee in an organization comes with a different personality, beliefs, values and ideas. These differences are the asset of any organization and the core strengths of employees. But these differences inevitably lead to conflicts as well. Intensity of the conflict may vary however; it could be an easygoing divergence, disagreement, clash or a fight. Conflict is unavoidable but its outcomes can be forecasted. Conflict may shoot up and result in very destructive outcomes. On the other hand if these conflicts are managed smartly they can be used to produce constructive results as well.

Relationship conflict is a state of friction due to interpersonal incongruities (Knight^{1*}, Pearce², Smith¹, Jolian¹, Sims¹, Smith³ & Flood⁴ 1999). It includes more of affective components such as stress, tension and feeling uneasy with someone. It involves more of personal issues and may lead to anger, irritation, and aggravation among different people. People may feel incompatible with each other; this is more serious and destructive component of this type of conflict which deters getting along. Feelings of breach may ultimately lead to low job satisfaction, low morale and decreased performance (Wall & Callister 1995)

Task conflict is more of a cognitive nature. It is just a difference in opinion and ideas about certain task or work (Amason, 1996). These kinds of conflicts don't carry strong negative feelings. Rather they are more task focused and of cognitive nature.

Process Conflicts are the third type of conflict. It is a state of discord about how tasks will proceed. It may also include questions related to power, resource and duty allocation.

PSYCHOLOGICAL CONTRACTS

Based on social exchange theory, psychological contracts entail the expectations and perceptions about the employment exchange relationship (Rousseau 1989). This hidden, unwritten and implicit psychological contract ties up the bond between the employee and employer. It spells out all the convictions about the mutual and guaranteed obligations and duties. It specifies certain desirable and acceptable behaviors and standards of culture as well (Rousseau 1989, Yan, Zhu & Hall 2002). These exchanges may be of two kinds; social exchange and economic exchange. Economic exchange highlights more financial and concrete exchanges by the both parties while social exchange encompasses the socio emotional features of the barter between two parties (Shapiro 2002). On the basis of two types of exchanges, two types of psychological contracts are studied and agreed upon by the researchers; Transactional and Relational psychological contracts. Transactional contracts have a sole focus on economic exchange (financial and materialistic), short term association or attachment and are specific while relational contracts go far beyond financial exchanges and emphasize on broad expectations of trust and faithfulness in return of job security and growth in the organization (Raja, Johns & Ntalianis 2004, Yan & Zhu & Hall 2002, Shapiro 2002, Morrison & Robinson 1997). Further Contract Breach is perceived when someone feels that the expected obligations and expectations are not fulfilled by the other party. Violation involves emotional dissatisfaction, feelings of disloyalty, anger and unjust conduct on the part of other party (Raja, Johns & Ntalianis 2004). Breach involves more of cognitions while violation encompasses emotions.

Breach and violation in these social exchange relationships are very important as when they crop up give an explanation for employee outcomes e.g. satisfaction, commitment and trust (Dulac, Shapiro, Henderson, Wayne 2008). Psychological contracts have almost always been studied in relation with trust (Simons 2002, Shapiro 2002, Robinson, Kraatz, Rousseau 1994). A breach of psychological contract will harm the trust. The overall welfare of a cultural setting is dependent on the people's satisfaction with their work (Beer 1964). More satisfied the individuals with relation more will be the affective association with the other party. Commitment is also related with psychological contracts (Shapiro 2002). A breach may lead to shake the commitment levels of an individual. Breach of these contracts depends on their relative focus. Transactional contracts have a purely materialistic focus and their breach may be perceived mainly due to materialistic reasons or task related issues. On the other hand individuals having relational contracts focus on relational aspects of their relation and may perceive breach due to relational and interpersonal concerns. On this basis I develop a conceptual model of relationships between psychological contracts and breach moderated by interpersonal, task or process conflict and between psychological contracts and employee outcomes mediated by breach. Task conflicts arise mainly due to task related issues on job. They are more of cognitive nature and don't involve strong feelings and emotions. Similar is the case with process conflict. Process conflicts arise due to issues with authority and resources decisions. Individuals having short term or transactional contracts will feel breach in case of task or process conflicts as these individuals don't have any emotional bonding with organization. They may feel breach in case of conflicts which are of cognitive nature like task and process conflict. On the other hand individuals having relational contracts have a strong emotional bond and association with their organization. They cannot feel breach by conflicts of cognitive nature. They will perceive contract breach only in the case of conflicts causing emotional and affective disturbance. They may not perceive breach by materialistic issues and conflicts like task and process conflict. I propose that breach of relational contracts will be moderated by relational conflict while transactional contracts will be moderated by process or task conflict.

On the basis of above arguments, I make following propositions.

H1: Interpersonal conflict will play a moderating role in the relationship of Relational type of psychological contract and Breach.

H2: Process conflict will play moderating role on the relationship of transactional type of psychological contract and Breach.

H3: Task conflict will play moderating role on the relationship of Transactional type of Psychological Contract and Breach.

TRUST

Relationship of psychological contracts and trust is well established (Simons 2002, Shappiro 2002, Robinson, Kraatz, Rousseau 1994). Research has taken into account this relationship many times and proved it empirically. Trust is the basic pillar on which any relation stands. Robinson (1996) argued that psychological contract breach or violations is strongly associated with two emotional dynamics which are unsatisfied expectations and harm to the trust. High trust is because of investments by the individuals in the relations (Shappiro 2002). A discrepancy between obligations and interests or expectations eats away the trust, weakens the relationship leading to lower employee involvement e.g., poor performance and reduced loyalty and lower employer outlays as well e.g., retention, promotion, training opportunities (Simons 2002). These discrepancies can lead to breach of the contract which will shake the trust level of other party. This foundation leads to the following proposition:

H4: Breach will mediate the relationship between psychological contract and trust.

SATISFACTION

Satisfaction is an emotional answer. Job satisfaction is actually a pleasing and positive emotional condition due to pleasant experiences or assessment at job, congruent with one's expectations (Locke 1976). Satisfaction is more leaning towards present and past experiences. An individual's current perceptions about a work environment are dependent on his expectations and his attainment. Similarly his affective reactions depend on the discrepancy between what he attains and what he expects. Increase in the satisfaction may result from positive appraisal by boss, good experiences and learning (Locke 1976), good future opportunities, an environment of justice or a successful handling of conflicts (Fryxell & Gordon 1978, Colquitt, Conlon, Wesson, Porter & NG 2001) etc. whenever there is some inconsistency between the expectations it may lead to perception of breach following a decrease in satisfaction.

H5: Breach will mediate the relationship between psychological contract and satisfaction.

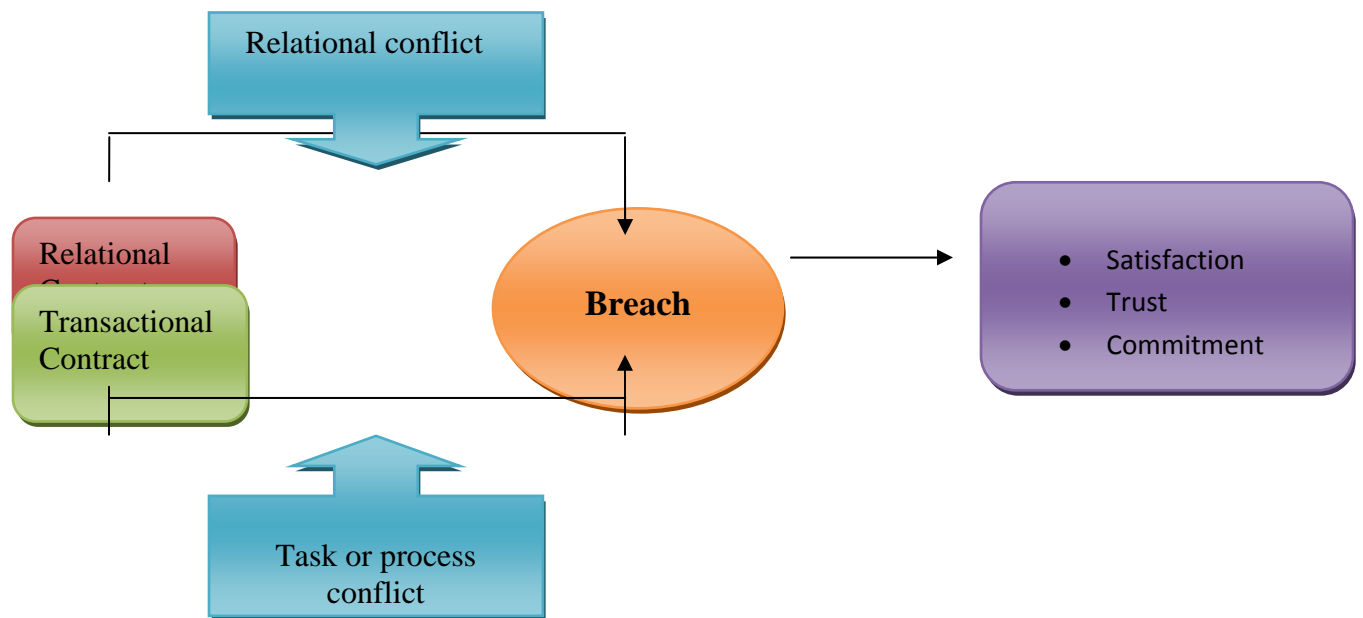
COMMITMENT

Commitment is a psychological attachment with the other party and it shows the intentions to remain associated or continue the relation. Commitment is related with psychological contracts (Shappiro 2002). An increase or decrease in the commitment level may arise due to changes in psychological contracts. Justice is an important factor to build commitment in some relation especially within organizations. If one party perceives injustice on the part of other party, commitment level may crash originating from psychological contract violation. Commitment building can help to strengthen the bond between the employee and employer. Relational contracts will lead to high level of employee's commitment and high performance. An increase or enhancement in the commitment will come from relational aspect of a contract. Perception of breach of the contract may harm this commitment which is next proposition:

H6: breach will mediate the relationship between psychological contract and commitment.

These propositions are summarized in the following model.

MODEL



CONCLUSION

Conflicts and psychological contracts both are perceptual and idiosyncratic. Relational contracts' relationship with breach is proposed to be moderated by relational conflicts. Similarly relationship of transactional contracts and breach is proposed to have moderating role of task and process conflict. Relational contracts involve emotional aspects of a relationship and that's why cannot perceive breach by cognitive conflicts. Only relational conflicts can trigger the breach of a relational contract. Task related and process conflicts will trigger the feelings of breach in case of transactional contract. Another relationship studied is the relationship of psychological contracts and trust, commitment and satisfaction, mediated by breach. Perception of breach will lead towards the decrease in the level of trust, commitment and satisfaction.

LIMITATIONS AND FURTHER RESEARCH IMPLICATIONS

This paper attempts to address the moderating impact of conflicts on the relationship of psychological contracts and breach and a model is proposed to present this relationship. But due to certain constraints to this research, this model could not be tested empirically. This is the major limitation in this study. Due to time constraints and unavailability of data, it was not convenient to test it. This paper addresses only three outcomes; trust, satisfaction and commitment. More outcomes can be studied in this relationship. Future researchers can study more variables. Further this relationship can be studied at different organizational levels. Moderating impact of different types of conflicts can be different on management and lower level of employees and their psychological contracts. It will be quite beneficial for researchers and managers to have knowledge about this relationship. There will be a better knowledge base of conflicts and their impact on the psychological contracts of employees at all the levels of organization.

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