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A study on changing performance intentions during different stages of psychological contracts

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Abstract

The purpose of this study is to determine whether performance intention varies among employees during pre-employment, early socialization, and later stages of psychological contracts (PC). This research aims to assist contemporary organizations in strategizing and customizing employee engagement according to different stages of PC. To test the hypothesis, data were collected using a structured questionnaire from 180 respondents across various age groups to represent different stages of PC. The first group consisted of final-year postgraduate students with no work experience; the second group included individuals with less than five years of work experience; and the third group comprised those with more than ten years of work experience. These respondents were selected through mixed-mode sampling. To theoretically represent the relationships between variables, stock and flow diagrams were constructed, and statistical analysis was employed to validate these models. Internal consistency was assessed using Cronbach's alpha. The association between variables was examined using correlation techniques. After observing the correlation results, ANOVA was conducted on SPSS to analyze the variances among the three groups. The analysis revealed that performance intentions differ significantly across stages, possibly due to varying levels of awareness about their employer, organizational culture, and practices. Consequently, it is recommended to tailor employee engagement strategies to each stage of PC to foster a strong workforce and achieve improved performance outcomes.

Keywords: Employee engagement, PC stages, Performance intentions, Psychological contract.

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1. Introduction

The studies on psychological contract (PC) have seen a geometric progression in the last few years [1]. Its relevance in the contemporary work environment has been found to be significant. PC is seen in the pre-employment stage, early

socialization stage, and later stages [2]. However, the performance intentions of workers in each stage may not be the same. The purpose of this study is to determine if performance intentions differ during various stages of PC.

This study is significant in two ways: first, it provides clarity on changing performance intentions with experience in an organization. Present-day organizations are increasingly determined to build a strong workforce through various redefined HR functions such as data-driven recruitment and selection, mitigating turnover intentions, retaining the best talents, etc. A key factor that relates to all the above and more is performance intention (PI). PI changes from the pre-employment stage to the early socialization stage and from there to later stages of PC. Consequently, PI is directly proportional to productivity or the outcome of work. Hence, it is necessary to seek clarity on changing performance intentions with experience in an organization.

Second, it highlights the importance of strategizing organizations' employee engagement initiatives depending on which stage of PC each individual is in. This is an era of customization. Every organization strives to retain its potential customers through customization. However, the satisfaction of these customers lies in the hands of the employees. Hence, customizing employee engagement strategies based on the stage of PC becomes essential in the future.

2. Concepts of Psychological Contracts

Psychological contract (PC) refers to an undocumented agreement between an employer and an employee in the form of expectations and obligations [3]. Every employee has different requirements at work. PCs are greatly influenced and shaped by these requirements and expectations [4]. Under normal circumstances, PC evolves or may even be strengthened over a period of time [5], which is characterized by contributions from employees and rewards received [6]. However, considering the ever-changing markets such as India or other developing countries, [7], the PC also tends to be dynamic in nature. Despite numerous research and studies, a clear understanding of the formation, sustenance, and decay of PC requires more empirical evidence.

The research questions that led to the current study are as follows:

Research question 1: How does performance intention evolve during different stages of PC?

Research Question 2: Do different factors of performance intention, such as job performance, loyalty, and development mindset, vary significantly with changes in PC?

Research Question 3: Does understanding the changes in performance intentions help in enhancing engagement levels?

PC exists in three stages. Anticipatory or pre-employment stage, early socialization stage and latter stages [2]. Pre-employment stage is observed in an individual who is on the verge of beginning his career at a particular firm. For instance, students who are about to graduate and begin their career, or a person who migrates from one company and is about to begin their work in another one. In both cases, the performance intention is assumed to be high. In order to strengthen the PC, mutual trust is essential [8, 9], especially in this stage. Once the person is onboarded by a company and spends a considerable duration, say a few months to a year or two, they enter the second stage, called the early socialization stage. In this stage, the performance intention may not be as high as it was initially due to several factors, such as monotony, lack of appropriate performance management practices, and inadequate employee engagement strategies. This can result in a breach of the psychological contract (PC) [3]. It is also believed that during any stage of the psychological contract, upon experiencing employee dissatisfaction with the contract, the worker's attitude towards their firm turns negative [10], as a result of which the performance of the worker diminishes over time, resulting in a breach of the psychological contract [11].

On the contrary side, an actively engaged employee may also exhibit consistent or better performance intention [12, 13]. Eventually, after working for a significant number of years, say five years or more, he is in the latter stage of PC, during which there are further changes in performance intentions, in comparison with the other two stages. However, the breach is relatively less with an increase in tenure [14]. These intentions play a vital role in the formation of various types of psychological contracts. PC is categorized into transactional, relational, or balanced contracts [6].

PC and employee performance have a significant relationship with experience or tenure as one of the additional moderators [15]. This is because the worker's awareness of the company and its culture increases with the number of years of experience in that company, which helps him understand the performance expectations. A similar study was conducted by another group of researchers [16], which also endorses the same fact that tenure plays a vital role in shaping PC and the outcome it has on engagement levels. This indicates that a worker's performance is also dependent on their experience. Today's organizations are also facing new challenges every day [17, 18]. These challenges include engaging workers with no experience to many years of experience, from the Baby Boomer generation to Gen Z, all under one roof. The differences between their perspectives are significantly greater [19]. For instance, modern generation employees in relation to older generations, focus more on personalized experience [20, 21]. Perhaps even the way the employer communicates with an employee may have a considerable impact on the performance [22]. Hence, it is inevitable for present-day firms to channelize their efforts to prevent breaches of PC and reductions in performance by employing different strategies to engage these workers [23].

In a nutshell, despite several studies on the association of PC with performance, research that highlights the changing performance intentions during different stages of PC needs to be explored in detail.

3. Methods

Before the study steps into the realm of statistical analysis, a conceptual representation of the proposed idea, represented using a stock and flow diagram developed on Vensim PLE software from Ventana Systems, is shown in Figure 1.

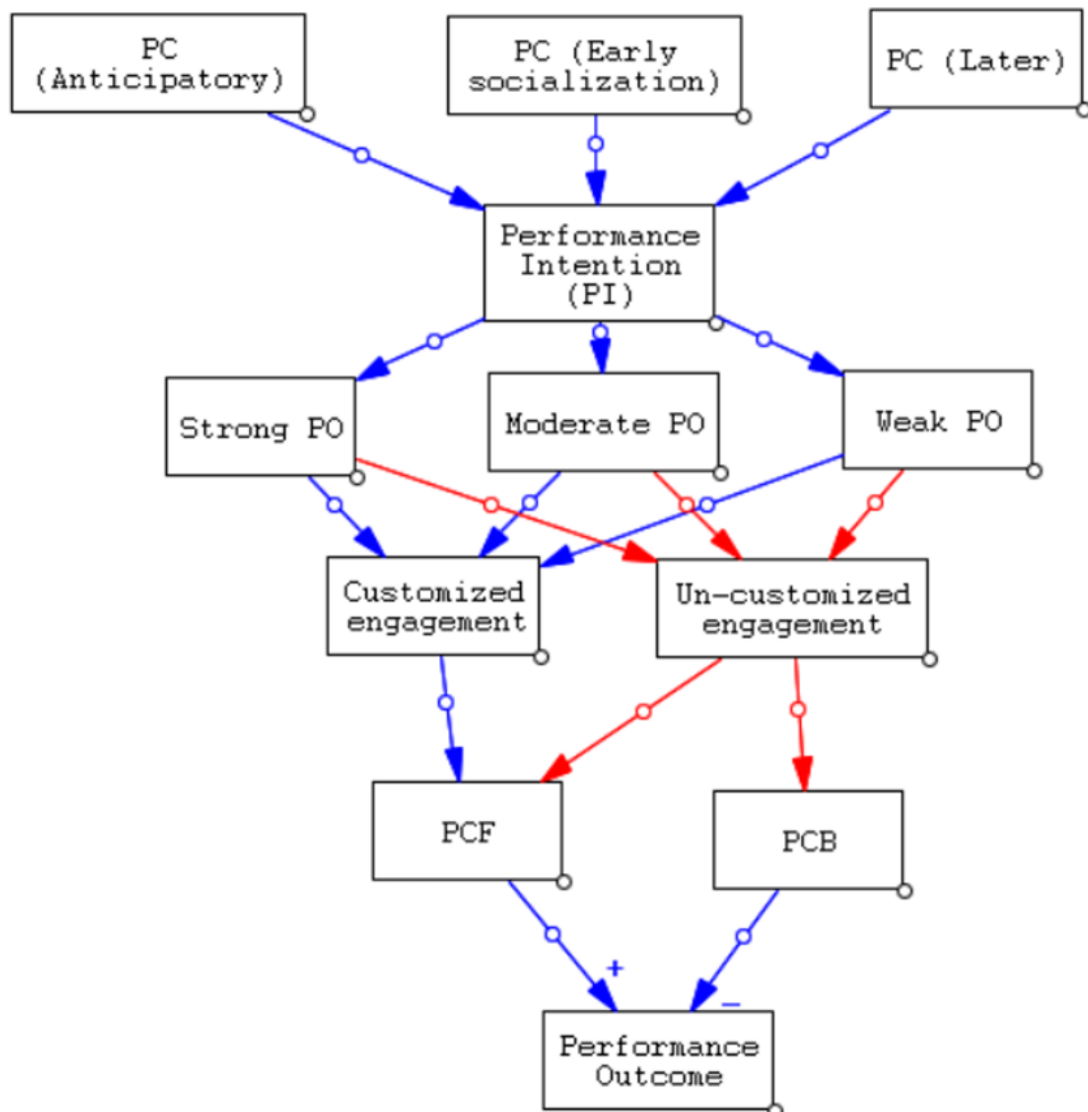


Figure 1.
Effect of changing performance intentions.

The effect of customized engagement is shown in blue, and general engagement is shown in red. The following interpretations can be made from the diagram.

- Each stage of PC leads to varied performance intentions. These PIs result in strong PO (performance outcomes), moderate PO, and weak PO.
- Customizing engagement initiatives according to each POs result in strong psychological contract fulfilment (PCF).
- Uncustomized or regular employee engagement may have two outputs, depending on which stage of PC the employee is in and the resulting performance outcome. PCF or PCB (PC breach).
- In the case of PCF, the performance outcome continues to be positive and strong. Conversely, in the case of PCB, the performance outcome is negative.
- Negative performance outcome ultimately enhances the turnover voluntarily or involuntarily.

The crux of the entire model is based on the idea that PI changes with the stages of PC. Using only traditional methods may not be able to capture appropriate measures in the contemporary world, as PC is continuously evolving [24]. Analyzing complex constructs such as PC requires using more than one method [25]. Hence, to validate the model, statistical analysis was also used.

Table 1.

Correlation test.

Correlations			
		Experience (PC)	PI
Experience (PC)	Pearson Correlation	1	0.491**
	Sig. (2-tailed)		0.000
	N	180	180
PI	Pearson Correlation	0.491**	1
	Sig. (2-tailed)	0.000	
	N	180	180

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

To check the association between PC and PI, a correlation test was used. The stages of PC are observed depending on the tenure or experience of the respondents. The value of Pearson's correlation coefficient, 0.491, may be considered as a moderate to strong association [26], indicating a significant, though not strong, positive association between PC and PI. Determining this association and specifying the results of the correlation at this point was inevitable before proceeding with statistical analysis.

For further analysis, the data required was gathered using a structured questionnaire. The questionnaire was constructed using a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Employee commitment (Loyalty), job performance (PI), and organizational citizenship behavior (development mindset) [27] were identified as the major constituents of performance intentions at the time of data acquisition. The responses were gathered using a combination of both probability and non-probability sampling techniques from three groups of respondents corresponding to three stages of PC.

The questionnaire was circulated to 225 respondents, of which consolidated responses from 180 were obtained, including all three groups.

The respondents for group 1 were mostly final-year postgraduate students who were on the verge of joining an organization or those who were about to attend interviews for various companies in a few days.

The respondents for group 2 were those who had recently joined the organization or had spent a maximum of 5 years in their organization.

Group 3 consisted of employees who worked in the same organizations for more than 10 years. In some cases, it was even more than 15 years. These employees were mostly from the manufacturing sector.

The respondents from groups 2 and 3 represented various sectors, including manufacturing and IT, and IT-enabled services. Missing or inappropriate data were eliminated before consolidating the responses, and only necessary data were retained.

As mentioned earlier, despite several studies, the authors could not find concrete empirical evidence that explored the changes in performance intentions at different stages of PC. Therefore, the current study aims to explore this further. Hence, it is exploratory in nature.

4. Results and Discussion

4.1. Results

In order to ensure internal consistency and repeatability of findings, reliability measures are extremely important. In the current research, the reliability measure for four items, which played a major role in the analysis, including job performance, loyalty, and development mindset, is 0.705, indicating that the internal consistency is acceptable.

Table 2.

Reliability analysis.

Reliability Statistics	
Cronbach's Alpha	N of Items
0.705	4

Employee commitment (Loyalty), job performance (PI), and organizational citizenship behavior (development mindset) [27] were identified as the major constituents of performance intentions and were hypothesized as shown –

Hypothesis 1

H0: There is no variation in the loyalty of employees during different stages of PC

H1: There is notable variation in the loyalty of employees during different stages of PC

Table 3.

Levene's statistic.

Homogeneity Test**Loyalty**

Levene Statistic	df1	df2	Sig.
33.554	2	177	0.000

The analysis requires determining the variances between and within the groups. Hence, ANOVA was used. This technique assumes that the data used is homogeneous in nature. Levene's statistic further confirms this. The significance level indicates that the data were suitable for analysis of variance.

Table 4.

ANOVA – Loyalty and PC.

ANOVA**Loyalty**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.433	2	1.717	6.560	0.002
Within Groups	46.317	177	0.262		
Total	49.750	179			

The significance value of 0.002, which is less than 0.05, indicates that there is a notable variation in loyalty among the respondents at different stages of PC. Hence, the null hypothesis is rejected.

Hypothesis 2:

H₀: There is no variation in the job performance of employees during different stages of PC.

H₁: There is notable variation in the job performance of employees during different stages of PC.

Table 5.

Levene's statistic.

Homogeneity Test**Performance**

Levene Statistic	df1	df2	Sig.
22.707	2	177	0.000

The significance value in Table 5 confirms the homogeneity and suitability of the data for further analysis.

Table 6.

ANOVA – Performance and PC.

ANOVA**Performance**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	52.144	2	26.072	41.731	0.000
Within Groups	110.583	177	0.625		
Total	162.728	179			

The F-statistic and significance value 0.000, which is less than 0.05, indicate that there is notable variation in job performance among employees during different stages of PC, thereby rejecting the null hypothesis.

Hypothesis 3:

H₀ – There is no variation in the development mindset of employees during different stages of PC

H₁ – There is notable variation in the development mindset of employees during different stages of PC

Table 7.

ANOVA – Development mindset and PC.

ANOVA**Development**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	0.700	2	0.350	1.374	0.256
Within Groups	45.100	177	0.255		
Total	45.800	179			

The F-Stats and the significance value of 0.256, which is greater than 0.05, indicate that there is no significant difference in the development mindset of employees during different stages of PC. Therefore, the null hypothesis is supported.

4.2. Discussion

The key insights that may be drawn from the analysis results are as follows –

First, from Table 4, we can understand that as PC evolves in different stages, employees have different levels of loyalty. This is mainly due to changes in employees' perspectives of the employer or organization, reflected through various HR practices and organizational culture. During the anticipatory or pre-employment stage, an individual is completely unaware of the practices and organizational culture. During the early socialization stage, though not completely, the employee is aware of the organizational culture to a considerable extent. And finally, a worker who has spent maximum time at the workplace knows the ins and outs of the organizational culture and HR practices. Hence, their loyalty level differs at each stage.

Second, from Table 6, it may be understood that, similar to loyalty, job performance also differs during different stages of the psychological contract (PC). Psychological contracts are based on mutual expectations and perceived obligations. In this case, job performance varies in all the stages as a result of a mismatch between expectations and reality.

Finally, from Table 6, it may be understood that irrespective of the stages of PC, the development mindset is the same among the employees. An important observation here is that, of all other variables, this is the only variable that personally benefits an employee. This may be a major reason for the same development mindset. Hence, this association might need further detailed investigation.

5. Conclusion and Further Scope

The study aimed to explore the variations in performance intentions during different stages of PC through variables such as job performance, loyalty, and development mindset. The results indicate a significant difference in performance intention among individuals from different stages of PC.

Present-day organizations are experiencing new challenges every day regarding employee engagement, especially in managing employees from different generations, such as Baby Boomers, Millennials, and Gen Z, who have highly diverse perspectives [19]. Ultimately, every process in an organization boils down to the achievement of outcomes such as productivity and profits. The center of all these processes is "people." If mishandled, the diminishing PC may result in an overall decrease in organizational performance [28] and employee separations in several unexpected ways.

Thus, customizing employee engagement strategies during different stages appears to be a solution worth implementing to reduce flight risk and enhance the retention of potential employees. As mentioned earlier, in this era of customization, personalized engagement might increase motivation among employees, thereby resulting in greater performance outcomes.

This study has a few limitations. The association between a development mindset and PC could not be explored in detail due to time constraints. Consequently, the differences in performance intention could not be fully established. Additionally, performance intention may have other constituents. Exploring these constituents might also yield interesting results. Future research can investigate these constituents.

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