

**UNIVERSITY OF NAIROBI**

*N* **THE PSYCHOLOGICAL CONTRACT,  
ORGANIZATIONAL COMMITMENT AND JOB  
SATISFACTION: A STUDY OF COMMERCIAL  
BANKS IN NAIROBI** ↗

*BY*

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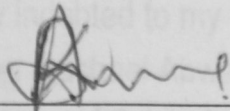
*A RESEARCH PROJECT SUBMITTED TO THE UNIVERSITY OF  
NAIROBI IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION (MBA)*

**DECLARATION**

This is my original work that has not been presented to Nairobi University or any other body for examination purpose.

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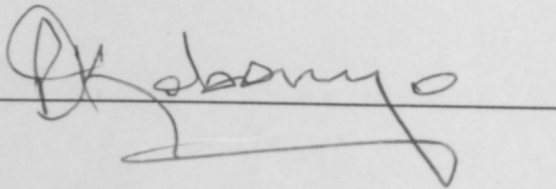


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## ACKNOWLEDGEMENTS

I would like to thank the Almighty God through whose grace that I have studied this course.

My very sincere gratitude to all who contributed immensely in one way or another to the preparation of this research project. My special gratitude goes to my supervisor, Professor Kobonyo, for his guidance and advice throughout this proposal.

I am greatly indebted to my fiancée Paul Mukunzi for his moral and financial support, to my mother Rachael Abwavo for continuously instilling the value of education in us, my sisters Joy and Sylvia for their never ending support and encouragement.

I owe my appreciation to all the Human Resources Managers and respondents who answered my questions. To my colleagues for their support and my friends for their understanding during this whole exercise. Lastly, I wish to thank my employer, Association of Kenya Insurers for giving me the extra time to pursue this course and for their support.

God Bless you all.

## DEDICATION

To my mother, my fiancée and my family and to all my dear friends, for your patience and continued support and advice.

## ABSTRACT

This study sought to determine the relationship between the psychological contract and job satisfaction and organizational commitment of employees in selected banks in Nairobi. The survey for this study was carried out between 10<sup>th</sup> August and 30<sup>th</sup> September 2004.

The population of interest in the study consisted of three categories/cadre of staff in the banks i.e. management, technical staff and general support staff. The information was collected using questionnaires completed by representatives from each of the three categories above plus the human resource manager in each institution. The drop and pick method was used to collect the questionnaires. 12 banks were selected randomly from the list of 43 banks in Nairobi. A sample of 110 workers was analysed from the 12 banks to determine the relationship between the psychological contract and their job satisfaction and organization commitment.

Organizational variables were assessed by asking the correspondents to evaluate their feelings of whether their psychological contracts had been violated and if that had an effect on their job satisfaction and organization commitment. The dependent variables were standard measures (affective, continuance and normative) commitment and of satisfaction (with co-workers, pay, promotion, supervisors and the work).

The data was analysed using descriptive statistics such as frequency distributions, percentages and tables; Pearsons Product Moment Correlation Statistic to test the relationship between the psychological contract and employee commitment to the organization and job satisfaction.

Results revealed higher correlations between psychological contract and job satisfaction. However results revealed negative correlations between the psychological contract and organizational commitment. Results indicated that employees seemed to have general feelings of satisfaction with various aspects of their jobs, but low feelings of commitment to their organizations.

Managers should therefore strive to ensure that employees psychological contracts are not violated in a bid to enhance their job satisfaction. For example, if employees are promised promotion opportunities, these should be fulfilled even if it is through job enrichment or lateral transfers which will enhance employee's developmental needs as well. Employers can further achieve this, by offering employees on a continuing basis, numerous opportunities for career progression, salary increments and a variety of other tangible and intangible rewards and recognition.

Supervisor Professor *[Signature]*

Signature \_\_\_\_\_

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# DECLARATION

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## LIST OF ABBREVIATIONS

1. ATM – Automated Teller Machine
2. CFC – Credit Finance Corporation
3. MSQ – Minnesota Satisfaction Questionnaire
4. OCI – Organisation Commitment Index
5. PCI – Psychological Contract Inventory



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

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In today's fiercely competitive environment banks focus on corporate goals, profit margins, and stock market prices. The 1980s and 1990s saw a plethora of corporate downsizing, restructures and mergers. Today this is seen as part of the natural course of doing business. This has brought about a change in the employer-employee relationship. While in the past employment was a long-term contract with an employee acquiring skills 'on the job' and rising through the ranks, today it is "dominated by short term contracts for highly skilled professionals and technical workers"(De Meuse, et. Al, 2001). Today staff are hired on a need to have basis to perform specific high skill tasks and are let go when their specific skills are no longer required by the organization. De Meuse, et. al., (2001, p. 106) notes that "the workplace of today is one of increased workload and stress and decreased job security and commitment".

Due to the lack of job security employees now focus on immediate job needs and career management through performing meaningful work, personal growth, development of transferable skills, and networking opportunities.

With competition increasing and advanced technology becoming more pervasive, banks need to keep performing at their best at all times. Human Resources Managers continue to face challenges of maintaining workplace relationships that will motivate employees and reduce the intention of employees to leave. To achieve this, banks must have a workforce that is committed and motivated to giving their very best towards the organizations' objectives.

As Kenya's general economic condition deteriorated in the early 1980s, the banking sector performance also went down. Despite having a diversified financial system, financial savings remained at a low level. The share of domestic savings held as financial assets with the financial sector averaged 30% in 1984–1987, similar to the levels in the 1970s. In 1986, the sector faced a crisis with most of the banks experiencing undercapitalization problems and some had to be liquidated. The Government had to pump in a lot of money into the statutory banks (Kenya Commercial Bank and National Bank) to avoid their imminent collapse. (East African, September 28 – October 4 1998)

In the recent years, a number of mergers and acquisitions have taken place in the sector. Some of the mergers have been triggered by the need to meet the increasing minimum core capital requirements, and also to enhance institutions market share in the highly competitive local banking environment through the resulting synergies. At the end of June 2003, the number of banks comprised 43 commercial banks due to the merging of six institutions into three and liquidation of another (Central Bank of Kenya, July 2002 - June 2003; Annual Report).

With a depressed Kenyan economy and legislation geared towards control of the banking sector, the sector is experiencing a number of reforms in order to continue being in operation (Government of Kenya, 2004 Budget). As new markets, competitors, and technologies begin to emerge, new situations created by government, volatile financial markets, and the threats posed by alternative banking segments, banks increasingly have a need to change to fit in the environment. To deal with the changes in the environment, banks have had to undertake changes such as computerization of banking services, change of banking products, all of which have necessitated overall bank restructuring (Central Bank of Kenya; 2002 Bank Supervision Annual Report). Some of the leading institutions have replaced branches or agencies with ATMs in such areas as shopping malls and some busy out of town shopping centres. By expanding the range of services offered through ATMs to include bill payment, making

cheque and cash deposits, these banks have managed to attract a bigger share of the market. The smaller banks have worked on a project to pool their resources and have developed a network of ATMs. These restructuring efforts have led to the downsizing of branch operations, thereby cutting of costs. This has led to downsizing of employees with the survivors being forced to work under specific targets (Central Bank of Kenya, 2002; Bank Supervision Annual Report).

Following restructuring measures in the banking sector, employment levels in the industry have been on a downward trend for the past five years. This reduction was as a result of the retrenchments and lay-offs occasioned by improved systems, closures of some branches and mergers. Reduction in employment was experienced in all categories except supervisory/section heads that increased by 0.5%. Employment in the management category decreased by 5.1%, clerical and secretarial staff dropped by 9.5% and the highest drop was in the other categories, by 19.4%. (Central Bank of Kenya, 2001; Bank Supervision Annual Report)

This has increased levels of insecurity and stress to employees and a feeling that their employers are renegeing on their contractual obligations. This volatile and uncertain situation does not augur well for employee satisfaction and commitment especially in the Kenyan situation where employment opportunities are very limited.

## 1.2 The Psychological Contract, Employee Commitment and Job Satisfaction

Psychological Contract can be defined as: the stated and implied set of expectations, obligations, and understandings, operating between workers and their employer. It defines the "essence" of the employment relationship. The contract is composed of an individual's perceptions about what they expect the organization to provide (competitive wages, advancement opportunities, job security) in return for what they provide to the organization such as a fair day's work and loyalty (Lester, Turnley et. al., 2002). Unlike formal employee-employer contracts, the psychological contract is inherently perceptual and therefore employer and employee may have different interpretations of the implied obligations (Lester and Kickul, 2001).

According to Adams (1963), individuals, perceiving a state of inequity in the relationship, might adjust their behaviour by increasing or reducing inputs to restore a state of equilibrium. In other words, the individual who feels their commitment to the organization is not being adequately reciprocated might adjust their own level of commitment downwards to restore the perceived balance. When employees feel that their employer has violated their psychological contract they are, not surprisingly, inclined to feel less sense of obligation and less commitment to their employing organization. Because psychological contracts are formed on the basis of trust, violation may lead to lower commitment to the organization and less organizational citizenship behaviour.

It is noted that when a violation of the contract is in the form of a breach of promise and trust, feelings of betrayal can occur. This may lead to a fall in the levels of job satisfaction, performance and motivation as the employee can no longer rely on promised inducements. The subjective nature of psychological contracts makes it easier to feel that a violation has occurred but harder to actually know if it really has (Adams, 1963).

### 1.3 Statement of the Problem

Very frequently, mass media carry headlines announcing that a major corporate layoff is underway or that another bank is closing down. Less dramatic but no less significant, companies are cutting costs by eliminating or limiting employee benefits such as health-care insurance and pensions. Very simply, downsizing and streamlining have become a way of life as firms seek to transform their operations in order to remain competitive in the global marketplace (Thornhill and Saunders, 1997).

On the other hand there have been concerns with mismanagement of banks leading to the rising spate of collapse of commercial banks, the most recent case being Euro Bank. Although several banks have stopped their massive retrenchment exercises, the effect of the downsizing to the workplace relationship continues to transcend days, months and years after the exercise (Thornhill and Saunders, 1997). These concerns seem to weaken the workplace relationships between employers and employees.

With the increasing popularity of contractual, short-term employment within banks, employees are now seeking to create workplace relationships, which are more fulfilling. This change in the workplace relationship has implications for banks that seek to have a work force that is motivated and committed to the organization's goals.

Employees find it ironic that these same banks are often instituting programs to nurture employee commitment, job satisfaction: for instance, management development programmes, total quality management, self-managed work teams, and total employee involvement. Such programmes have been initiated by banks such as Cooperative Bank of Kenya, Commercial Bank of Africa, Standard Chartered and Barclays Bank. (Cooperative Bank; Front Runner Magazine, March 2002, Commercial Bank of Africa; Focus Magazine, May 2003, Central Bank of Kenya, 2002; Bank Supervision Annual Report). From the point of view of the employee, the simultaneous efforts at "belt tightening" and enhancing

employee involvement appear contradictory. Certainly, mixed signals are being sent: On the one hand, employees are being told by management that they are a valuable resource; on the other hand, they are seeing this resource being cut or supported less than in the past (Thornhill and Saunders, 1997).

The psychological contract had not been an issue some years ago because changes in contractual obligations were rare. This is no longer the case as Armstrong (2001) observes:

1. Business organizations are neither stable nor long-lived. Uncertainty prevails, job security is no longer on offer by employers who are less anxious to maintain a stable workforce.
2. Leaner organizations mean that careers may mainly develop laterally as expectations that progress will be made by promotion through hierarchy are no longer valid.
3. Leaner organizations make greater demands on employees and are less likely to tolerate people who no longer precisely fit their requirements.

The employment scenario in Kenya is characterized by fewer employment opportunities. The labour market is full of skilled manpower with no jobs. Where employees are retrenched, there is no guarantee of further employment. At the same time employers have continued to change their employment terms, with reduction of permanent employment, reduction of some benefits such as medical, pension schemes among others. What are the expectations of employees in such a situation? Is the psychological contract relevant in such an employment situation?

It is against this background that the researcher set out to do an empirical study on the impact of the psychological contract on employee job satisfaction and commitment to the organisation. Often employees react to changes in the employment relationship that affect them adversely by perceiving

management as renegeing on their contractual obligations. These perceptions constitute psychological contract since such obligations are not part of the written contracts.

*This study will be relevant to*

The literature indicates that violation of psychological contract impacts negatively on employees job satisfaction and organizational commitment (McDonald and Makin, 1999). Therefore, it can be argued that the changes that are occurring in the Kenyan Banking Sector provide a fertile ground for violations of employees' psychological contract, with implications for job satisfaction and organizational commitment.

*3. Academics – can use the findings of the study as foundation or basis for further research on*

Studies on the above issues appear to have been done exclusively in developed countries: certainly none in Kenya. Needless to say this constitutes a gap in knowledge that the proposed study intends to address. Conducting such a study in Kenya was justified by the extremely high rate of unemployment compared with the developed countries. This situation forces Kenyan employees to stick to the organizations despite their low levels of satisfaction and commitment. Thus, unlike their counterparts in the developed countries, Kenyan Banks are likely to have a disproportionately high numbers of less satisfied and less committed employees. Unfortunately, the banks' management and other stakeholders may not be aware of this due to lack of research in this area.

#### **1.4 Objectives of the study**

1. To determine the relationship between employees psychological contract and their job satisfaction
2. To determine the relationship between employees psychological contract to their commitment to the organisation.

## 1.5 Importance of the study

### CHAPTER TWO LITERATURE REVIEW

This study will be relevant to:

1. Human Resources Managers – by knowing how to foster employee – worker relationships that will enhance employee job satisfaction and commitment to the organizations.
2. Management as a whole – by knowing how to foster employee – worker relationships that will enhance employee job satisfaction and commitment to the organizations
3. Academicians – can use the findings of the study as foundation or basis for further research on psychological contracts not only within the banking sector but also other sectors of the economy.

He applied the term to the implicit understanding that existed between the two parties to the contract; if the foreman respected the norms of the informal employee culture, the employees would continue satisfactory production with a minimum of problems.

The importance of the Psychological Contract was emphasized by Schein (1965) who suggested that the extent to which people work effectively and are committed to the organization depends on:

1. Degree in which their own expectations of what the organization will provide in return and what they owe the organization in return match the organization's expectations of what it will give and get in return.
2. Nature of what is actually to be exchanged. Money is exchanged for time or work; social need satisfaction and security in the exchange for hard work and loyalty; opportunities for self-actualization and challenging work in exchange for high productivity, high quality of work and creative effort in the service of organizations goals.

According to most definitions, the psychological contract is an employee's beliefs/expectations concerning the obligations of higher organizational levels to himself (Easter et al. 2010). The



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, a comprehensive literature of the various aspects of psychological contracts, organization commitment and job satisfaction is discussed.

#### 2.2 Psychological Contract

The definition of the construct 'psychological contract' has undergone an evolution of sorts since being first introduced by Chris Argyris in his 1960 book *Understanding Organisation behaviour*. He used the term psychological contract to refer to the relationship between factory line employees and their foremen. He applied the term to the implicit understanding that existed between the two parties to the contract; if the foremen respected the norms of the informal employee culture, the employees would continue satisfactory production with a minimum of problems.

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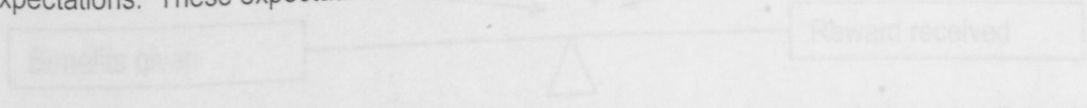
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According to recent definitions, the psychological contract is an employee's beliefs/perceptions concerning the obligations of his/her organization/employer to him/her (Lester et. al. 2002). The

Psychological Contract can be defined as: the stated and implied set of expectations, obligations, and understandings, operating between workers and their employer. It defines the "essence" of the employment relationship. It is worth noting that the term "worker" is broader than "employee". Fundamentally, the psychological contract expresses the combination of beliefs held by an individual and his or her employer about what they expect of one another (Armstrong, 2001).

Sims (1994) notes that a balanced psychological contract is necessary for a continuing, harmonious relationship. The contract is composed of an individual's perceptions about what they expect the organization to provide (competitive wages, advancement opportunities, job security) in return for what they provide the organization (a fair day's work, loyalty) (Lester et. al. 2002). Unlike formal employee-employer contracts, the psychological contract is inherently perceptual and therefore employer and employee may have different interpretations of the implied obligations (Lester and Kickul, 2001).

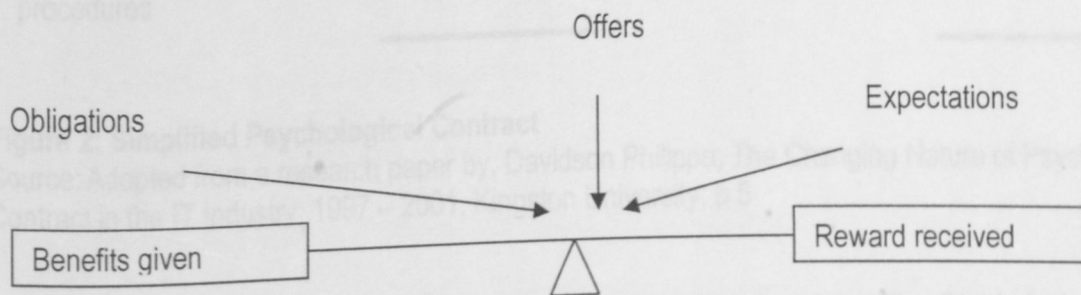
Within organizations, as Katz & Kahn (1964) pointed out every role is basically a set of behavioral expectations. These expectations are often implicit; not defined in the employment contract.



The Psychological Contract is not a legal document, but it is nevertheless "real" in the minds of employees and employers. It is a broader concept than an employment agreement or contract, and includes both what has been written, said, and observed. The Psychological Contract comprises both tangibles (for example, pay) and intangibles (for example, support, training, advancement). It is a powerful determinant of employees' behaviours. In essence, the employer benefits from the employee's labour and co-operation while the employee is rewarded extrinsically and intrinsically. Rousseau (1995) asserts that mutuality is key for a psychological contract to provide acceptable outcomes – she argues that is only when both parties have something to gain they will work to ensure a successful result.

As Rousseau & Greller (1994) comment; the ideal contract in employment would detail expectations of both employees and employers. Typical contracts however are incomplete due to bounded rationality which limits individual information seeking and to a changing organization environment that makes it impossible to specify all conditions up front. Both employer and employee are left to fill the blanks.

Sims (1994) notes that a balanced psychological contract is necessary for a continuing, harmonious relationship between the employee and the organization. However, violation of the psychological contract can signal to the participants that the parties no longer share or never shared a common set of values or goals. In a balanced psychological contract both parties feel the exchange provides valued outcomes. This is illustrated in Figure 1 below.



**Figure 1: Balance of the Exchange**

Source: Adopted from a research paper by, Davidson Philippa; The Changing Nature of Psychological Contract in the IT Industry: 1997 – 2001, Kingston University p.4

Mullins (1999) lists a number of the common benefits and rewards expected by both participants in the psychological contract. Figure 2 shows a simplified psychological contract incorporating some of these elements and suggests possible relationships between them. As illustrated in the figure, there will be, expectations held by both parties and a number of common obligations such as the requirement to act

lawfully – for an employer this may mean adherence to the provisions of the working time regulations, while for an employee it may include refraining from misappropriation of company assets.

### Obligations (both parties)

- ◆ Lawful behaviour
- ◆ Fair treatment
- ◆ Honesty

### Employee Expectations

- ◆ Reward for work/effort
- ◆ Safe, hygienic and comfortable working conditions
- ◆ Opportunities for personal development and career progression
- ◆ Adopt equitable personnel policies and procedures

### Employer Expectations

- ◆ Productivity for reward
- ◆ Reasonable standards of dress, appearance and general behaviour
- ◆ Work diligently in pursuit of organisational objectives
- ◆ Not to betray positions of trust

### Figure 2: Simplified Psychological Contract

Source: Adopted from a research paper by, Davidson Philippa; The Changing Nature of Psychological Contract in the IT Industry: 1997 – 2001, Kingston University, p 5

Research (O'Driscoll, et al (1999) has confirmed that aligned and healthy Psychological Contracts contribute to enhanced:

1. Commitment (including affective commitment which is positively related to higher performance);
2. Job satisfaction (which is related to higher motivation, lower workplace stress and more satisfied customers); and
3. Intention to stay with the organisation (that is, retention).

In contrast to earlier theorists, Rousseau (1989) makes it clear that her perspective of the psychological contract is from the level of the individual rather than a group or dyad. The respective parties do not have to agree on the terms of the contract, unlike Argyis (1960) who views the psychological contract as

based on mutual agreement. She contends that the psychological contract "exists as a result of a degree of social consensus regarding what constitutes a contractual obligation" i.e implied contracts exist at the relational level and must be identifiable by observers while psychological contracts are subjective and exist in the mind of the perceiver. (Rousseau, 1995).

### 2.3 Importance of Psychological Contracts

Rousseau, (1995) suggests that psychological contracts underpin the nature and quality of the relationship between employers and employees. She further suggests that there is a need to link psychological contracts with human resources policies and practices and the business strategy. The types of psychological contracts which an organisation might choose to form with its employees depends on (Rousseau, 1995):

1. The stability of the external environment;
2. The history and positioning of the business;
3. The nature of customer service appropriate to the business; and
4. The knowledge and value, which various employees bring to the organisation.

Organisations competing through distinctive forms of customer service tend to train their employees extensively and foster a service orientation. These organisations seek a longer-term relationship with their employees (that is, relational psychological contract), where cultural norms, which support good customer relations, are developed. Employees who are relationally oriented to the organisation are more likely to behave as organizational citizens; that is, going the "extra mile", pursuing corporate interests and activities, behaving cooperatively, and generally contributing to organizational effectiveness (Rousseau, 1995).

Conversely, those organisations that require flexibility in the market seek shorter-term contracts, possibly with minimal training provided. The cost of training needs to be justified against the benefits of organizational competitiveness (that is., whether these benefits can be recovered in the market place through improved performance) (Rousseau, 1995).

Most organisations have a variety of psychological contracts within their workforce. A best practice approach is to segment the workforce in much the same way a marketer segments their customers: one size does not fit all! (Rousseau, 1995).

The core / complementary model of employment is useful as a framework for understanding employer / employee relationships, whereby organisations view their workers as belonging to a number of levels or segments. These segments may include an inner core of senior managers and key specialists, surrounded by successive layers of middle managers, supervisors, sales personnel, general and front line workers, casuals, contractors, among others (Davidson, 2001).

Psychological contract types are usually classified on a continuum from "relational" to "transactional", with a shift to the latter having occurred in recent times. Most organisations will have a variety of Psychological Contracts with various segments of their workforce, depending on the business strategy and the value, knowledge and skill that they contribute (Davidson, 2001).

#### (b) Relational Contracts

Relational contracts are more open ended, longer-term arrangements, with a wider range of obligations on the part of both the organisation and its employees. The exchange between employer and employee involves monetary and non-monetary benefits (for example, mutual loyalty, support, training, career development, etc.). Under such arrangements, employers expect greater flexibility and loyalty from employees, including a commitment to the continuity and purpose of the organisation. Employees also have a greater loyalty with an organisation through promotion, mentoring, and socialisation. There is a higher degree of mutual dependence with them (Davidson, 2001; Rousseau, 1995).

### **(a) Transactional Contracts**

Transactional contracts are oriented towards economic and performance based considerations, with finite time frames and clearly defined work roles and responsibilities. An individual's identity is said to be derived from their skills and competencies, rather than being closely tied with the organisation. As such, they are likely to display lower levels of citizenship behaviour, and lower levels of collaboration and teamwork. Under transactional contracts, employers are freer to "hire and fire" (Davidson, 2001).

Transactional contract employees could include the following:

1. **careerists** - those who make their career in an industry but not with a particular organisation (for example,, lawyers, stockbrokers);
2. **long term outsiders** - includes casuals (for example,, nurses, cleaners);
3. **short term outsiders** - temporaries including higher skilled (for example,, key specialists) and lower skilled employees (for example,, fruit pickers);
4. **Network or guest employees** - may work in several organisations.

However, whilst the above types of transactional contracts provide for flexibility and minimum training, they do not solve critical organizational problems with such practices, forgoing opportunities down the road based on the learning and development of distinctive strategic competencies (Davidson, 2001).

### **(b) Relational Contracts**

Relational contracts are more open ended, longer-term arrangements, with a wider range of obligations on the part of both the organisation and its employees. The exchange between employer and employee involves monetary and non-monetary benefits (for example,, mutual loyalty, support, training, career development, etc.). Under such arrangements, employers expect greater flexibility and loyalty from employees, including a commitment to the community and purpose of the organisation. Employees also come to identify with the organisation through promotion, mentoring, and socialization. There is a higher degree of mutual interdependence and barriers to exit (Davidson, 2001, Rousseau, 1995).

Organizations and their managers need to be aware of this change, and today more than ever before. Core employees are more likely to have relational contracts, given their importance to the organisation, and as such, are likely to have greater opportunities, autonomy and benefits than their peripheral counterparts. In fact, management's best chance of retaining core knowledge employees lies with the attainment of business success, and offering these employees job challenges and opportunities for their growth and development (Davidson 2001).

### **(c) Hybrid Contracts**

Many organisations are opting for a hybrid contract, which incorporates a blending of elements of both of (a) and (b) above. The hybrid contract incorporates shared values and commitments, as well as specified results and time frames (Armstrong, 2001, Davidson, P. 2001). The psychological contract's versatility suggests that it, along with related constructs such as violation and change, has a central role to play in organizational behaviour by better specifying the dynamics of the employment relationship. The psychological contract is clearly an important ingredient in the business relationship between employers and employees and can be a powerful determinant of workplace behaviour and attitudes. It provides a potentially fruitful construct with which to make sense of and explore employment relationships. (Davidson, 2001), Rousseau (1989, 1995).

Such contracts are subject to change and development throughout the duration of employment but, due to their subjective nature, are potentially prone to violation by both sides. Organisation trying to improve quality or efficiency of employees' work by the use of occupational psychology can gain a great deal when taking into consideration the psychological contract and its abundant implications (Davidson, 2001).

Demands of the modern economic environment has resulted in both the company and the employee having a changed psychological contract. Today the contract formed is more transactional and about self-



actualization. Organizations and their managers need to be aware of this change, and today more than ever invest time and effort in forming and managing the right kind of psychological contract with their employees and prospective employees (Armstrong (2001), Davidson (2001).

Stalker (2000) suggested that companies, which are successful, are the ones that manage to balance the unwritten needs of their employees with the needs of the company. Companies then need to invest time, effort and where needed money to make certain that this balance is achieved.

Communication is a key element in this and the failure to communicate is seen to be one of the main causes of perceived breaches of the psychological contract (Lester and Kickul, 2001). Lester and Kickul (2001) suggest that open book management techniques when taken liberally can form a framework for providing effective communication between the organization and the employee.

For a successful organization, managing the psychological contract needs to begin even before the hiring of an employee. Niehoff and Paul (2001) states that an organizations publications, the interview process, contract negotiation and the orientation process all contribute towards the formation of the employee's psychological contract with the organization.

By providing Realistic Job Previews, candidates can be given a clear and realistic view of the actual expectations of the duties, work hours, and performance levels (Niehoff and Paul, 2001). The negotiation process after an offer is made to a candidate provides a further opportunity to clarify the specific details of the expectations of both parties (Niehoff, Paul, 2001). Finally the orientation program (either formal or informal) gives an opportunity to re-enforce the psychological contract that has been formed.

By having all of these in line with each other and in line with the companies expectations allows the company to form a contract that is more likely to be clearly understood by both parties and has a less chance of being breached (Rousseau, 1989,1995).

## 2.4 Job Satisfaction

The desire to have satisfied employees is pervasive among human resource managers. The belief that satisfied employees are also productive employees is naturally appealing. Managers and workers alike pursue job satisfaction in the often naïve belief that it leads directly and surely to that other workplace ideal – high performance. The fact is however that sometimes, satisfied employees perform better, and sometimes do not. (Bruce & Blackburn, 1992).

Job satisfaction is defined as "the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs" (Spector, 1997). This definition suggests job satisfaction is a general or global affective reaction that individuals hold about their job. Job satisfaction is a term to describe how content an individual is with their job. Schermerhorn, J.R 1997 refers to job satisfaction as the degree to which individuals feel positively or negatively about their jobs. Bennet refers to job satisfaction as the extent to which employees favourably perceive their work.

Since Herzberg's 1959 work on "satisfiers" and "dissatisfiers" in the workplace, job satisfaction has frequently been held up as a means of improving employees' motivation (Herzberg, Mausner & Snyderman, 1959). Modaff & Dewine 2002 view job satisfaction as "the degree to which employees feel fulfilled by their job and related experiences".

Mullins (2000) states that "Job Satisfaction is more of an attitude, an internal state. It could for example, be associated with a personal feeling of achievement, either quantitative or qualitative". Lloyd (2003)

also views job satisfaction as an employee's general attitude towards a job. Job satisfaction is a work related attitude. It is influenced by several factors including values.

**Values** represent basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. Values carry an individual's idea as to what is good or desirable. People have a hierarchy of values that form their value systems. This system is identified by the relative importance people assign to such values as freedom, pleasure, self-respect, honesty, obedience and equity.

Robbins (1998) sees values as important to the study of organisational behaviour because they lay the foundation for the understanding of attitudes and motivation and because they influence our perceptions. Individuals enter an organisation with preconceived notions of what "ought" and what "ought not" to be. Of course, these notions are not value free. On the contrary, they contain interpretations of right and wrong. Furthermore, they imply that certain behaviours or outcomes are preferred over others. These can cloud objectivity and rationality (Robbins, 1998).

Suppose an individual enters an organisation with the view that allocating pay on the basis of performance is right, whereas allocating pay on the basis of seniority is wrong. Imagine what the individual would feel if they found that rewards were based on seniority and not performance. The employee would definitely be disappointed and would not put any effort on performance as this would not lead to a pay rise. An employee's attitudes and behaviour would be different if their values were aligned with the organisations pay policies (Spector, 1997).

**Attitudes** are evaluative statements – either favourable or unfavourable concerning objects, people or events. They reflect how one feels about something. Attitudes are not the same as values but the two

are interrelated. For example the belief that "racism is wrong" is a value statement. Attitudes and values are acquired from parents, teachers and peer group members. Values are more stable than attitudes (Robbins, 1998).

In order to put job satisfaction in an environmental perspective, social psychologist Bandura developed a theory. A person can have thousands of attitudes but in organisational behaviour concern is generally on job related attitudes. These attitudes tap: positive or negative evaluations that employees hold about work environment (Robbins, 1998).

The first theory used to explain job satisfaction was proposed by Lenny (1980). His theory is known as the expectancy theory. Job satisfaction is one of the job related attitudes. Many research studies have found limited relationship between satisfaction and work output and offer no comfort to those seeking to confirm that a satisfied worker is a productive worker. Labour turnover and absenteeism are commonly associated with dissatisfaction but there are many other possible factors affecting the same. There appears to be no universal generalisations about employee dissatisfaction that offer easy management solutions to problems of turnover, stress and absenteeism (Spector, 1997).

Many theorists have tried to make explanations for why people feel the way they do in regards to their job. Locke (1997) developed the idea known as discrepancy theory. This theory suggests that a person's job satisfaction comes from what they feel is important rather than the fulfilment or unfulfilment of their needs. A person's importance rating of a variable is referred to "how much" of something is wanted. Discrepancy theory suggests that dissatisfaction will occur when a person receives less than what they want (Berry, 1997).

Lawler (1973) believed that job satisfaction was driven by a motivational framework. This idea deals with how a person measures job satisfaction based on what they got verses what they feel they deserved. Satisfaction is determined by the difference between the exact amount a person received and what they

expected. Therefore, dissatisfaction occurs when a person receives less or more than what was expected.

In order to put job satisfaction in an environmental perspective, social psychologist Bandura developed a theory known as the social influence hypothesis. This hypothesis describes a social effect where individuals want what they perceive others around them to want.

The last theory used to explain job satisfaction was proposed by Landy (1989). His theory is known as the opponent process theory. He suggested that the primary reaction (the immediate emotional response) combined with the secondary reaction (the later emotional response) creates a stabilized equilibrium, which results in job satisfaction.

Companies that do satisfy employees desires for good managerial relations, respect, fair and adequate compensation, and opportunities for growth and development through training, reaping the benefits.

There is also a wide range of specific factors which affect the job satisfaction of various individuals in a given set of circumstances and not necessarily in others.

Job dissatisfaction is the root cause of high employee turnover in an organization. The best known example is turnover. Given an opportunity, most employees will quit their jobs. Sometimes this is best for everybody, but too often turnover results in a loss of talent and training costs and the loss of valued – even critical – employees.

## 2.5 Organisational Commitment

### 2.4.1 Dimensions of Job Satisfaction

Some employees may be dissatisfied with certain aspects of their work and satisfied with others. As it is there is no one theory that will explain Job Satisfaction as a whole. Mullins, (2000) looks at the following factors:

1. Individual factors include personality, education, intelligence and abilities, age, marital status, orientation to work
2. Social factors include relationships with colleagues, group working, norms, opportunities for interaction, and informal organisation among others.
3. Cultural factors include underlying attitudes, beliefs and values.
4. Organisational factors include nature and size, formal structure, personnel policies and procedures, employee relations, nature of work, technology and work organisation, supervision and styles of leadership, management systems, working conditions.
5. Environmental factors include economic, social, technical and governmental influences.

There is also a wide range of specific factors, which influence job satisfaction of certain individuals in a given set of circumstances and not necessarily in others.

Job dissatisfaction is the root cause of much dysfunctional behaviour in the workplace. The best-known example is turnover: Given an opportunity, dissatisfied employees will seek greener pastures. Sometimes this is best for everybody, but too often turnover represents wasted recruitment and training costs and the loss of valued – even critical – employees (Robbins, 1998).

## 2.6 Psychological Contract and Job Satisfaction

The communication literature suggests that when words in the same, manner as if the value of employees as a resource, and affect to the same level as employees go and putting capital work.

## 2.5 Organisational Commitment

Employee commitment is generally conceived as an individual's identification with his or her employing organisation, such as sharing the corporate goals and values (Steers, 1977) and a willingness to exert effort on behalf of that organisation (Modway et al.1979). Commitment has been a matter of concern to managers because low commitment has been regarded as a major cause of employee turnover. Turnover has a high potential to impact negatively on an organisation since the loss of employees would mean a reduction in company productivity (Taormina,1999).

Affective commitment suggests a high degree of congruence between individual and organisational goals, values and ideology; that commitment is achieved out of the mutuality embedded in the relationship (Taormina,1999).

Normative commitment is based on the notion of social desirability, the expectation that commitment should be demonstrated. Whilst this is a plausible form of commitment it is rather more difficult to define and identify than the others in the model (Taormina,1999).

Continuance commitment is based more on the 'need' of the individual to stay with the organization, perhaps for economic motives or lack of labour market choice; this is a rather utilitarian approach to commitment, as the individual will probably only stay with the organization until a better opportunity arises. This appears such a self-serving approach that one could question whether this should be considered a genuine form of commitment (Taormina, 1999).

## 2.6 Psychological Contract and Job Satisfaction

The communication literature suggests that when words (in this case, statements about the value of employees as a resource) and actions (in this case, letting employees go and cutting benefits) seem to

be in conflict, it is the actions to which people respond (Stewart et al. 1987). When managers' words and actions are inconsistent, the credibility of management is undermined; and employees, feeling angry, betrayed, and helpless, lose their effectiveness and job satisfaction.

The literature in both the US and the UK suggests a range of negative behaviours and attitudes expressed by survivors of restructuring that effectively cancel out the anticipated benefits, often termed 'survivor syndrome' (Brockner et al 1992; Guest and Peccei 1992; Noer 1993; Doherty et al 1995; Thornhill and Saunders 1997). The root of this is the breaking of the psychological contract, where managers were promised job security and hierarchical career advancement in return for their loyalty and commitment to the organisation's goals. It is the breaking of this, and the loss of the traditional career and job security (whether real or perceived), which has left middle managers in a state of emotions similar to those being made redundant - hence the notion of "survivors as unhappy stayers" (Thornhill and Gibbons, 1995).

Because the psychological contract is unwritten and unofficial, and therefore not legally binding, the motivation for compliance is not, as it is with explicit written contracts, the fear of legal reprisal but, rather, the desire to maintain mutual trust. It, thus, constitutes an essentially emotional bond (which is one reason why when it's broken, people experience deep, long-lasting feelings of betrayal and resentment) (Armstrong, 2001).

Most employees feel that their psychological contracts have been violated in some way by their employer at some time. Violations are most commonly concerned with training and development, pay and benefits, and promotion opportunities. An employer's failure to fulfill their obligations can have a long-term impact on subsequent employee citizenship behaviour. Because contracts are continually being created and sustained, organisations and employees make accommodations for many inadvertent violations.



Misunderstandings may be ignored and some remedied by rationalization. However, when a violation takes a more serious form, such as breach of promise and trust, feelings of betrayal can occur. This may lead to a fall in job satisfaction, performance and motivation as the employee can no longer rely on promised inducements. The subjective nature of psychological contracts makes it easier to feel that a violation has occurred but harder to actually know if it really has.

## 2.7 Psychological Contract and Organisation Commitment

In the area of commitment, Meyer and Allen's (1991) three-component model of organizational commitment - affective, normative, and continuance - is a particularly useful framework in relation to the psychological contract. As Eisenberger et al (1986) note, the degree of perceived organisational support and the way an individual is treated might influence their interpretation of this. Indeed, O'Driscoll and Randall (1999, p.205) found that "... perceived organisational support and satisfaction with intrinsic rewards made significant positive contributions to both job satisfaction and affective commitment".

Thus far commitment has only been considered at the individual level, but in reality commitment is a two-way street; the type of commitment given by the individual may be related to the level of commitment initially and subsequently received from the organization in terms of tenure, employment status and career. In the early stages of the relationship both parties may engage in "a mutual testing and exploration period" before deciding where to put their commitment (Schein, 1978) and one might, for example, expect lower levels of affective commitment in a shorter contractual relationship as the individual may perceive a commitment shortfall from the organisation. If the organisational commitment is perceived by the individual to be a long-term relationship, it is likely to lead to a 'relational' psychological contract, thereby creating 'affective' commitment typified by sharing of goals and ideologies and a mutual intention for continued association. If, on the other hand, the intended association and contractual status

is perceived to be short-term, this is more likely to lead to a transactional contract, where the commitment form is more likely to be 'continuance' and longer-term success of the relationship undermined.

Evidence to the contrary is presented by McDonald and Makin (2000), who found significantly higher levels of affective and normative commitment in non-permanent employees, which the authors suggest may be due to anticipatory socialisation. In practice there may be no difference in tenure between 'short-term' and 'open-ended' or 'permanent' contracts, as the latter may still be terminated after a short period (Smithson and Lewis, 2000). It is not the reality that is important here, but rather the individual's perception of reality (Sparrow and Cooper, 1998) and individuals who feel they have been unjustly treated may respond by complaining, exiting the organisation or changing their behaviours (French, 1964). According to Adams (1963), individuals, perceiving a state of inequity in the relationship, might adjust their behaviour by increasing or reducing inputs to restore a state of equilibrium. In other words, the individual who feels their commitment to the organization is not being adequately reciprocated might adjust their own level of commitment downwards to restore the perceived balance. Thus, equity theory (Adams, 1965) is concerned with the perceived fairness of treatment and the degree to which views of the organisation and its agents might be trusted to create equitable conditions.

### 3.3 Population

When employees feel that their employer has violated their psychological contract they are, not surprisingly, inclined to feel less sense of obligation and less commitment to their employing organisation. Because psychological contracts are formed on the basis of trust, violation may lead to lower commitment to the organisation and less organisational citizenship behaviour (doing things to benefit the organisation which are not necessarily your responsibility) Robinson & Rousseau, D.M (1994) and Rousseau, D.M. (1995).

**RESEARCH METHODOLOGY****3.1 Introduction**

This chapter set out the research methodology that was used in the study. Specifically the chapter gives an insight into the study population; sampling design; sample selection; data collection tools; instrument administration and the data analysis and report writing procedures and processes.

**3.2 Research Design**

This research was a survey of selected banks in Kenya. The study was done in two phases. During the first phase, qualitative research was conducted in the form of literature survey. The questionnaires were subsequently formulated from the contents identified in the literature study. In the second phase of the research, the questionnaire was tested on a population of employees in selected banks in Nairobi to determine the relationship between the psychological contract and their organizational commitment and job satisfaction.

**3.3 Population**

The population consisted of employees of the commercial banks in Nairobi. Of the 120 employees sampled 45 employees were male and 75 were female employees.

**3.4 Sample Size and Sampling Procedure**

A stratified sample size of 120 employees consisting 10 employees from each of the sample commercial banks was used. The sample was chosen from a population of the 43 commercial banks in Nairobi. A list of the banks was obtained from Kenya Bankers Association. Stratified sampling technique based on the bank size was used.

A list of all the employees in each bank was obtained from the Human Resources Department at each of the banks. The same list was subdivided into top management, middle level management and support staff. Random sampling technique was used to pick up individual respondents from each of the stratum.

### 3.5 Data Collection

Primary data was used in the study. It was collected using a questionnaire (see appendix II). The questionnaire was self – administered. The drop and pick method was used. Envelopes were provided for confidentiality purposes. The questionnaire consisted of 4 parts. Part 1 sought information on the profile of the organisation and the respondent. Part 2, 3 and 4 contained measures of organisation commitment, job satisfaction and psychological contract.

The **Organisation Commitment questionnaire** was adapted from Taormina's (1999) constructs on continuous, affective and normative organisation commitment characteristics. The **Minnesota Satisfaction Questionnaire** was used to measure constructs on job satisfaction. The Minnesota Satisfaction Questionnaire was modified to suit the study. The MSQ made it feasible to obtain an individualized picture of worker job satisfaction, as well as providing an accurate measurement of job satisfaction for groups of individuals on numerous workplace factors. The **Psychological Contract Inventory** (PCI) was adopted from Rousseau (1989).

### 3.6 Data Analysis

Data was analysed using descriptive statistics namely, frequency distributions, pie charts, percentages and tables; Pearson's Product Moment Correlation Statistic was used to test for the relationship between psychological contract and employee commitment and job satisfaction. Further analysis was performed using sub-samples based on key demographic factors.

## DATA ANALYSIS, FINDINGS AND DISCUSSIONS

## 4.1 Introduction

In this chapter, the data are analysed, findings presented and discussed. Means, standard deviations, intercorrelations, frequencies and percentages were computed for all variables. These values are shown in different tables for the commitment, satisfaction and psychological contract subscales.

## 4.2 Composition of respondents

Data was collected from 120 employees from 12 commercial banks in Nairobi. 62.5% of those interviewed were female and 37.5% were male. Majority (50%) of the respondents were aged between 31 to 40 years while 31% were aged 30 and below. 19% were aged between 51 to 60 years. Tenure of employment, measured as the number of years on the present job revealed that 63% of the respondents had been with their respective banks for over seven (7) years, 19% for a duration ranging from two (2) to five (5) years, 13% for less than 2 years and 6% for a duration of five to seven years. Some of these data are depicted in figures.

Figure 3: Distribution of the respondents by Gender

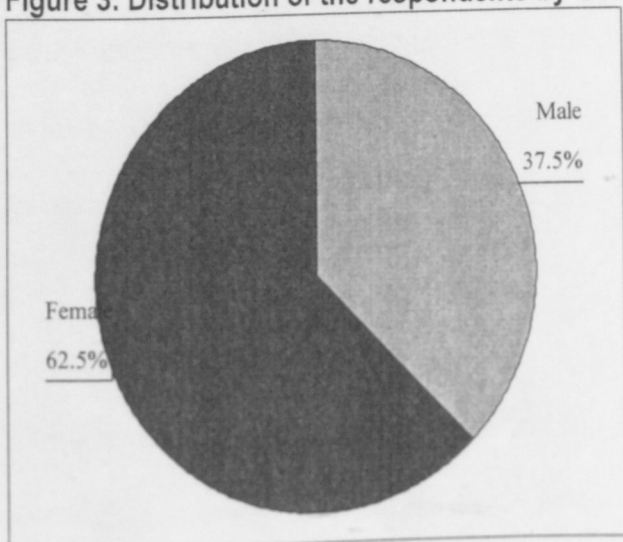
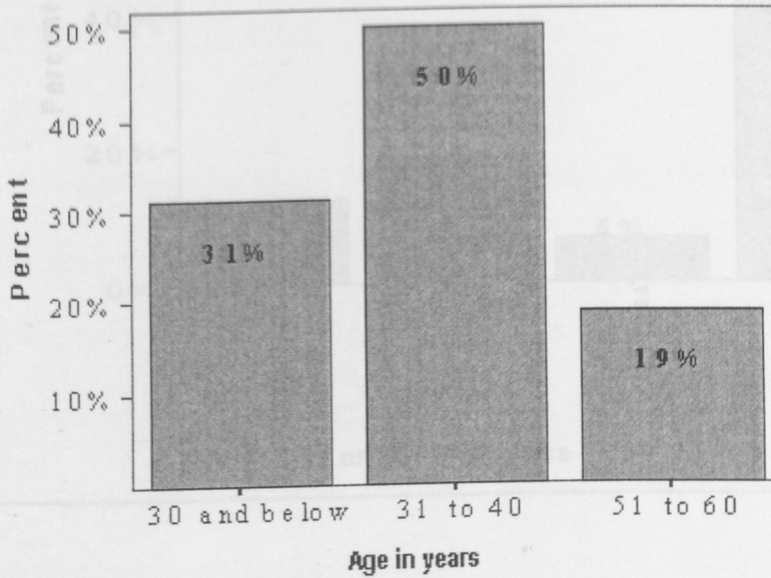


Figure 3 shows that 62.5% of the respondents were female and 37.5% were male. This denotes that there are more female employees at the banks.

Figure 4: Distribution of the respondents by Age



According to the figure above, 50% of the respondents were between the ages of 31 and 40 years, while a cumulative percentage of 81% were aged below 40 years. This indicates that many of the respondents are relatively young.

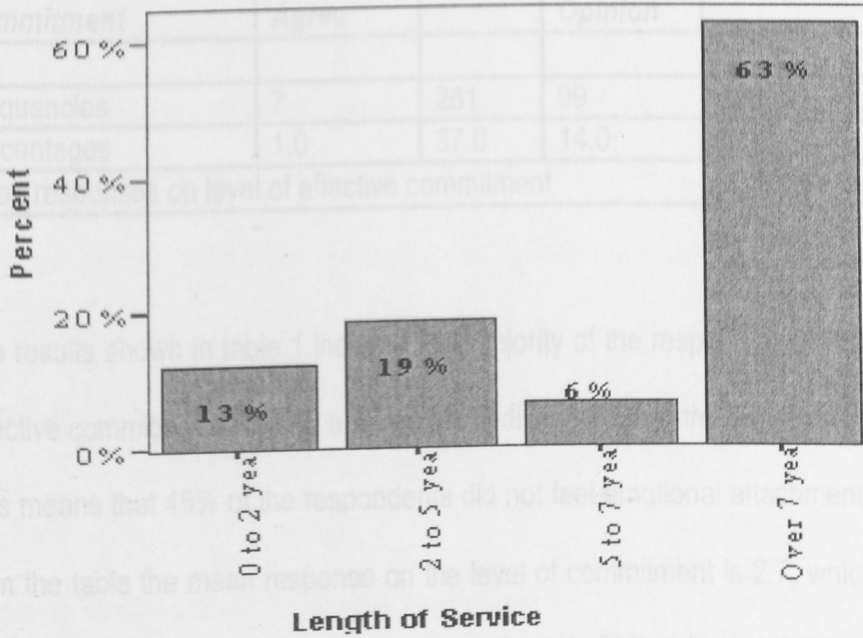
#### 4.3 Levels of organisational commitment

Levels of Organisation Commitment was measured using Taorginas (1985) Organisation Commitment Index on a scale ranging from 1 - 5, where 1 means strongly agree and 5 strongly disagree. Three levels were captured; affective, continuance and normative.

##### Affective Commitment

The statements asked for responses on whether employees felt attached or identified with or got involved in the organisation. For example, one statement read "I would be very happy to spend the rest of my career with this company" while another statement read "I feel emotionally attached to the company". Responses are presented in the table below.

Figure 5: Distribution of the Respondents by Organisational Tenure



According to the figure above 63% of the respondents have over 7 years of organisational tenure with the company. This indicates a relatively long job history at their organisation.

### 4.3 Levels of organisational commitment

Levels of Organisation Commitment was measured using Taorminas (1989) Organisation Commitment Index on a scale ranging from 1 – 5, where one means strongly agree and 5 strongly disagree. Three levels were captured; affective, continuance and normative.

#### Affective Commitment

The statements asked for responses on whether employees felt attached or identified with or got involved in the organisation. For example, one statement read "I would be very happy to spend the rest of my career with this company" while another statement read "I feel emotionally attached to this company". Responses are presented in the table below.

**Table 1; The Degree of Affective Commitment**

<i>Affective Commitment</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No Opinion</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	
Frequencies	7	261	99	226	113	706
Percentages	1.0	37.0	14.0	32.0	16.0	100
Mean responses on level of affective commitment						<b>2.7</b>

The results shown in table 1 indicate that majority of the respondents (48% versus 38%) had low levels of affective commitment. That is a total of 48% disagreed with the statements depicting affective commitment. This means that 48% of the respondents did not feel emotional attachment to their organisations. As seen from the table the mean response on the level of commitment is 2.7, which is in the area of disagreement with the statements depicting affective commitment. This indicates that most respondents had low levels of affective commitment and therefore did not feel any emotional attachment to their organisations.

**Continuance Commitment**

The statements asked for responses on whether employees felt the need to stay with the organisation perhaps for economic reasons or lack of labour market choice. For example, one statement read “right now staying with this company is a matter of necessity as much as I desire” while another statement read “too much of my life would be disrupted if I decided to leave my company at this time”. The responses are on table 2 below.

**Table 2 Extent of Continuance Commitment**

<i>Continuance Commitment</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No Opinion</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	<i>Totals</i>
Frequencies	85	226	49	261	78	699
Percentages	12.1	32.3	7.1	37.4	11.1	100
Mean responses on extent of continuance commitment						<b>2.9</b>



A total of 48.5% of the respondents disagreed with the statements on continuance commitment while 7.1% of the respondents had no opinion. The results indicate that respondents had low levels of continuance commitment. The mean response rate of 2.9 indicates general disagreement with the statements depicting continuance commitment, indicating low levels of continuance commitment.

### Normative Commitment

The statements asked for responses on whether respondents felt obligated to continue with their employment. For example, one statement read "I feel an obligation to remain with my current employer" while another statement read "I would feel guilty if I left my company right now". The responses are in table 3.

Table 3; The Degree of Normative Commitment

<i>Normative Commitment</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>No Opinion</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	
Frequencies	85	134	49	226	113	607
Percentages	14.0	22.1	8.1	37.2	18.6	100
Mean responses on levels of normative commitment						2.8

The results presented in table 3 indicate that an average of 55.8% respondents disagreed with the statements as compared to only 36.1% who agreed. The results denote low levels of normative commitment. The mean response rate for levels of normative commitment was 2.8 which, denotes general disagreement with the statements depicting normative commitment.

The overall mean response rate on organisation commitment levels is 2.8 (results shown in table 4) which denotes general disagreement with statements depicting respondents commitment to their organisations. It can therefore be denoted from the results, that overall levels of all the three types of commitment to the organisations are quite low.

**Table 4: Mean Responses on levels of Organisational Commitment**

ORGANIZATIONAL COMMITMENT	MEANS	STD DEV
Affective commitment	2.7	1.2
Continuance commitment	2.9	1.4
Normative commitment	2.8	1.2
<b>OVERALL</b>	<b>2.8</b>	<b>1.3</b>

#### 4.4 Levels of Job Satisfaction

Levels of Job Satisfaction were measured using a modified questionnaire based on the Minnesota Satisfaction Questionnaire. Questions required respondents to indicate their levels of satisfaction with various variables on a scale of 1 – 5, where 1; denoted Not Satisfied, 2; denoted somewhat satisfied, 3; denoted satisfied, 4 denoted very satisfied and 5 denoted extremely satisfied. The responses are summarized below.

**Table 5: Levels of Job satisfaction**

Satisfaction Factor	Means
<b>WORK ITSELF</b>	
Being able to keep busy all the time	3.2
The chance to work alone on the job	3.1
The chance to do different things from time to time	3.1
The chance to be "somebody" in the community	3.0
The way my boss handles his/her workers	3.1
The competence of my supervisor in making decisions	3.7
Being able to do things that don't go against my conscience	3.3
The way my job provides for steady employment	3.2
The chance to do things for other people	2.9
The chance to tell people what to do	2.6
The chance to do something that makes use of my abilities	3.1
The way company policies are put into practice	2.2
My pay and the amount of work I do	2.1
The chances for advancement on this job	2.1
The freedom to use my own judgment	2.8
The chance to try my own methods of doing the job	2.8
The working conditions	2.8
The way my co-workers get along with each other	2.9
The praise I get for doing a good job	2.9
The feeling of accomplishment I get from the job	3.2
<b>Overall mean</b>	<b>2.9</b>

Of the twenty statements denoting satisfaction with various aspects of employees' jobs, there was an overall mean of 2.9. From table 5, it can be noted that average responses indicate that the respondents were generally satisfied with various aspects of their jobs. Respondents were generally satisfied with the following statements; being able to keep busy at all times ( $\bar{X}=3.2$ ), the chance to work alone on their jobs ( $\bar{X}=3.1$ ), the chance to do different things from time to time ( $\bar{X}=3.1$ ), the chance to be "somebody" in the community ( $\bar{X}=3.0$ ), the way the boss handles his/her workers ( $\bar{X}=3.1$ ), the competency of the supervisor in making decisions ( $\bar{X}=3.7$ ), being able to do things that do not go against my conscience ( $\bar{X}=3.3$ ), the way the job provides for steady employment ( $\bar{X}=3.2$ ), the chance to do something that makes use of my abilities ( $\bar{X}=3.1$ ) and the feeling of accomplishment I get from the job. Respondents were somewhat satisfied with the following statements; the chance to do things for other people ( $\bar{X}=2.9$ ), the chance to tell people what to do ( $\bar{X}=2.6$ ), the way company policies are put into practice ( $\bar{X}=2.2$ ), my pay and the amount of work I do ( $\bar{X}=2.1$ ), the chances of advancement in this job ( $\bar{X}=2.1$ ), the freedom to use my own judgement ( $\bar{X}=2.8$ ), the chance to try my own methods of doing the job ( $\bar{X}=2.8$ ), the working conditions ( $\bar{X}=2.8$ ), the way my co-workers get along with each other ( $\bar{X}=2.9$ ) and the praise I get from doing my job ( $\bar{X}=2.9$ ).

As noted the responses ranged on the scale of somewhat satisfied (2) to satisfied (3). A mean of 2.9 therefore indicates that most respondents were somewhat satisfied with their jobs, which denotes generally low levels of satisfaction with their jobs.

**Table 6: Overall Job Satisfaction**

	1	2	3	4	5	
Overall Job Satisfaction	Not Satisfied	Somewhat satisfied	Satisfied	Very Satisfied	Extremely Satisfied	
Frequencies	9	26	51	28	6	120
Percentages	7.5	21.66	42.5	23.33	5	100

Of the twenty statements denoting satisfaction with various aspects of employees jobs, there was an average of 9 responses indicating dissatisfaction with several aspects of their jobs such as pay, opportunities for promotion and the way company policies are put into practice which denoted lack of involvement in decision making. 26 respondents felt somewhat satisfied with the various aspects of their jobs such as the chance to do things for other people, the chance to tell people what to do, the way company policies are put into practice, my pay and the amount of work I do, the freedom to use my own judgement, the chance to try my own methods of doing the job, the working conditions, the way my co-workers get along with each other and the praise I get from doing my job. There were 51 responses indicating general satisfaction with the various aspects of their jobs such as being able to keep busy all the time, the chance to work alone, the competence of their supervisors and the feelings of accomplishment with their jobs. The 28 and 6 responses indicating high levels of satisfaction were those of supervisors and managers who were satisfied with the challenges of their jobs and the promotion opportunities that have been made available to them.

#### **4.5 The Psychological Contract**

Scores on the psychological contract were analysed using factor analysis. Factor analysis was used to find latent variables or factors among observed variables, by reducing the number of variables. It grouped variables with similar characteristics to produce a small number of factors which constitute the distinct dimensions of psychological contract. Further analysis was performed on the data using the Pearson's Product Moment Correlation statistic.

The psychological contract measures were divided into four sets. The first set contained seven employer obligations (short term, loyalty, narrow, dynamic performance, internal development, external development

and stability) and had the following instruction "Consider your relationship with your current employer. To what extent has your employer made the following commitment or obligation to you? Please answer each question using the following scale":

1	2	3	4	5
Not at all	slightly	somewhat	moderately	to a great extent

The second set contained three Employer Transition scales (Mistrust, Uncertainty, and Erosion) and used the following instructions to accompany a 1-5 scale "To what extent do the items below describe your employer's relationship to you?". The third set contained seven Employee obligations (comparable to the Employer measures above) and used this instruction: " To what extent have you made the following commitment or obligation to your employer?" Again, the same 1 to 5 scale was used as above. Lastly, the fourth set contained the Employee Transition scales comparable to those above for Employer Transition. The instruction read " To what extent do the items below describe your relationship with your employer?" Again, the same 1 to 5 item scale was used. The scores on the psychological contract inventory are represented in table 6.

The highest possible score was 5 while the lowest was 1. The higher the average score on a psychological contract item, the weaker the employee's (respondent's) perceived violation of the psychological contract by his/her employer and vice versa. Generally, a mean score below 2.5 represents greater feelings of violation of the psychological contract.

## The Psychological Contract Inventory (PCI)

**Table 7 : (PCI) Employer obligation**

		MEANS	STD DEV
1	Enable me to adjust to new, challenging performance requirements.	3.2	1.3
2	Support me in meeting increasingly higher goals.	3.5	0.7
3	A job only as long as the employer needs me.	3.3	1.2
4	Be responsive to my personal concerns.	3.0	1.6
5	Limited involvement in the organization.	3.2	1.5
6	A job limited to specific, well-defined responsibilities.	3.1	1.3
7	Help me to respond to an even greater industry standards.	2.9	1.5
8	Makes no commitments to retain me in the future.	2.9	1.2
9	Opportunity for career development within this firm.	2.8	1.3
10	Help me develop marketable skills.	2.9	1.4
11	Steady employment.	2.8	1.5
12	Require me to perform only a limited set of duties.	3.1	1.3
13	Concern for my long-term well-being.	2.5	1.4
14	Short term employment.	3.1	1.1
15	Support me to attain the highest possible levels of performance.	2.2	1.3
16	Wages and benefits I can count on.	2.4	1.3
17	Potential job opportunities outside the firm.	3.2	0.9
18	Development opportunities with this firm.	3.1	1.2
19	Opportunities for promotion.	2.9	1.1
20	Make decisions with my interests in mind.	2.4	1.5
21	Training me only for my current job.	3.6	0.9
22	Contacts that create employment opportunities elsewhere.	2.1	1.6
23	Advancement within this firm.	2.6	1.4
24	Concern for my personal welfare my work.	2.7	1.2
25	Stable benefits for employees' families.	3.1	1.6
26	Job assignments that enhance my external marketability.	2.8	1.1
27	Secure employment.	2.4	1.4
28	A job for a short time only.	3.0	1.3
	Overall mean	2.9	1.3

As shown in table 7, the overall mean score is 2.9 which indicate that the respondents on average, felt that their employer was generally meeting their obligations to the employees. In fact this feeling was true for most of the items in the inventory except numbers 15 ( $\bar{X}=2.2$ ), 16 ( $\bar{X}=2.4$ ), 20 ( $\bar{X}=2.4$ ), 22 ( $\bar{X}=2.1$ ), and 27 ( $\bar{X}=2.4$ ). For these items, the employee's feelings reflect employees' perceptions that the employers met the obligations represented by those items to a less extent.

**Table 8: (PCI) Employer Transition Scale**

Factor	Mean	Std Dev
Withholds information from its employees	3.3	1.3
Difficult to predict future direction of its relations with me	3.5	1.5
Demands more from me while giving me less in return	3.6	1.3
Acts as if it doesn't trust its employees	2.7	1.3
An uncertain future regarding its relations with me	3.1	1.4
Decreased benefits in the next few years	2.8	1.7
Introduces changes without involving employees	3.2	1.2
Uncertainty regarding its commitments to employees	3.5	1.0
Stagnant or reduced wages the longer I work here	2.8	1.5
Doesn't share important information with its workers	2.8	1.3
Uncertainty regarding its commitments to me	3.1	1.5
More and more work for less pay	3.2	1.6
<b>Overall mean</b>	<b>3.1</b>	<b>1.4</b>

The employer transition scale (mistrust, uncertainty and erosion) was used to describe employees feelings that their employer was not trustworthy and was uncertain or unpredictable. From table 8, it appears that the respondents had strong feelings of mistrust and uncertainty towards their employer. The overall mean score ( $\bar{X}=3.1$ ) is high. This indicates the feeling that the employer was to a great extent untrustworthy and unpredictable. This implies perceived violation of the psychological contract by the employer. In other words, it denotes that the respondents felt that their employers, among other things, instituted organisational changes which reduced their wages and benefits and eroded the quality of work life compared to previous years. The respondents expressed feelings of uncertainty regarding their organisations future commitments. They also had feelings of mistrust because their employer withholds important information from them.

**Table 9: Explained Variance**

	Component	Initial Eigenvalues		
		Total	% of Variance	Cumulative %
1	Enable me to adjust to new, challenging performance requirements.	9.479	33.855	33.855
2	Support me in meeting increasingly higher goals.	4.690	16.750	50.605
3	A job only as long as the employer needs me.	3.719	13.283	63.888
4	Be responsive to my personal concerns.	2.989	10.676	74.564
5	Limited involvement in the organization.	1.919	6.853	81.416
6	A job limited to specific, well-defined responsibilities.	1.857	6.634	88.050
7	Help me to respond to an even greater industry standards.	1.157	4.131	92.181
8	Makes no commitments to retain me in the future.	.893	3.188	95.369
9	Opportunity for career development within this firm.	.604	2.157	97.526
10	Help me develop marketable skills.	.502	1.794	99.319
11	Steady employment.	.191	.681	100.000
12	Require me to perform only a limited set of duties.	7.032E-16	2.512E-15	100.000
13	Concern for my long-term well-being.	4.157E-16	1.485E-15	100.000
14	Short term employment.	3.697E-16	1.320E-15	100.000
15	Support me to attain the highest possible levels of performance.	3.169E-16	1.132E-15	100.000
16	Wages and benefits I can count on.	1.913E-16	6.834E-16	100.000
17	Potential job opportunities outside the firm.	1.594E-16	5.692E-16	100.000
18	Development opportunities with this firm.	9.632E-17	3.440E-16	100.000
19	Opportunities for promotion.	-9.849E-18	-3.518E-17	100.000
20	Make decisions with my interests in mind.	-1.553E-17	-5.546E-17	100.000
21	Training me only for my current job.	-1.163E-16	-4.153E-16	100.000
22	Contacts that create employment opportunities elsewhere.	-2.093E-16	-7.476E-16	100.000
23	Advancement within this firm.	-2.674E-16	-9.549E-16	100.000
24	Concern for my personal welfare my work.	-2.885E-16	-1.030E-15	100.000
25	Stable benefits for employees' families.	-3.277E-16	-1.170E-15	100.000
26	Job assignments that enhance my external marketability.	-3.958E-16	-1.414E-15	100.000
27	Secure employment.	-6.660E-16	-2.378E-15	100.000
28	A job for a short time only.	-1.201E-15	-4.290E-15	100.000

Extraction Method: Principal Component Analysis.

The table above shows the factors extractable from the analysis along with their eigenvalues, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors.

Notice that the first factor accounts for 33.855% of the variance, the second 16.75%, and the third 13.283%, the fourth 10.676 and the fifth 6.853% and the sixth 6.634% and the seventh 4.131%. All the remaining factors are not significant. The seven factors that are significant will then form the categories



under which the other factors can be grouped. The categories can then be named by the researcher in broad terms to capture the remaining factors.

### Factor Loadings; Principal Component Matrix

Table 10 shows the loadings of the 28 variables on the seven factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable.

**Table 10: Component Matrix**

		Component						
		1	2	3	4	5	6	7
1	A job only as long as the employer needs me.	.410	.204	-.259	.619	.360	-.097	.439
2	Concern for my personal welfare my work.	.149	.877	-.032	-.212	3.837E-02	-.090	-.012
3	Limited involvement in the organization.	-.187	.243	-.164	-.589	.200	.348	.582
4	Support me to attain the highest possible levels of performance.	.765	-.377	-.186	-.298	.187	-.198	.127
5	Opportunity for career development within this firm.	.802	-.221	-.267	-.116	.344	-.247	-.002
6	Help me develop marketable skills.	.876	-.118	-.163	-.305	-.161	.169	-.013
7	Secure employment.	.123	.370	.293	.717	-.079	-.059	-.224
8	Makes no commitments to retain me in the future.	.356	9.805E-02	-.574	.217	.279	.573	-.192
9	Training me only for my current job.	-.208	-.310	7.916E-02	.170	.755	.343	-.211
10	Be responsive to my personal concerns.	.725	.426	.190	-.419	4.100E-02	-.082	-.239
11	Help me to respond to an even greater industry standards.	.867	.134	4.841E-02	9.777E-02	-.350	.225	5.144
12	Development opportunities with this firm.	.849	1.334E-02	-.113	-.364	-.166	.129	.104
13	Job assignments that enhance my external marketability.	.481	-.285	.573	6.381E-03	-.099	.417	5.759
14	Wages and benefits I can count on.	.291	.273	.471	-.604	.385	-.193	-.087
15	Short term employment.	1.198E-02	-.363	.670	.141	.556	-.176	-.018
16	Make decisions with my interests in mind.	.585	.623	.329	-.185	.151	6.017E-02	-.107
17	A job limited to specific, well-defined responsibilities.	.588	-.166	.581	-.136	-.043	-.465	.129
18	Support me in meeting increasingly higher goals.	.879	-.393	1.683E-02	-.154	-.063	.169	-.093
19	Advancement within this firm.	.784	-.439	-.094	.159	-.080	.117	6.419
20	Potential job opportunities outside the firm.	.722	1.609E-02	.281	.511	-.193	.168	3.725
21	Steady employment.	9.329E-02	.762	-.526	.142	8.670E-02	-.114	.219
22	A job for a short time only.	.160	.510	.598	-.032	-.093	.301	-.152
23	Concern for my long-term well-being.	.381	.685	1.830E-02	.331	2.601E-02	-.467	1.049
24	Require me to perform only a limited set of duties.	-.473	.312	.585	5.027E-02	.284	.353	.277
25	Enable me to adjust to new, challenging performance requirements.	.717	6.964E-02	-.509	6.227E-02	.322	-.019	-.330
26	Opportunities for promotion.	.772	-.411	-.112	.255	.125	-.184	.159
27	Contacts that create employment opportunities elsewhere.	.659	-.069	.474	.392	-.026	6.528E-02	.267
28	Stable benefits for employees' families.	.465	.732	-.120	9.472E-02	6.922E-02	.221	-.009

Extraction Method: Principal Component Analysis.

Where factors have higher loading from statements 1-28 and are accounted for in any of the components 1 to 7, these are not further analysed. Following the factor analysis performed, the factors were reduced to three, which are explained below;

### First Factor

Based on the factor analysis in table 9, the first factor has higher loading from the following statements:

1. Help me develop marketable skills (0.876)
2. Opportunity for career development (0.802)
3. Support me to attain the highest possible levels of performance (0.765)
4. Help me respond to an even greater industry standards (0.867)
5. Development opportunities with this firm (0.849).
6. Support me in meeting increasingly higher goals (0.879).
7. Advancement with this firm (0.784).
8. Opportunities for promotion (0.772).
9. Enable me to adjust to new, challenging performance requirements (0.717)

Since all the variables relate to the employers' obligation/commitment to employees, they jointly constitute a dimension of psychological contract that can be referred to as "**Employer Obligation/Commitment**".

This is the balanced form of psychological contract which is focussed on dynamic and open-ended employment arrangements conditioned on economic success of firms and worker opportunities to develop career advantages.

### Second Factor

The second factor represents the "**Employer's Relationship**" since it has higher loading from the following statements:

1. Concern for my personal welfare (0.877)

2. *Stable benefits for employees' families* (0.732)
3. *Steady employment* (0.762)

This is the relational form of psychological contract where employer has committed to supporting the well being and interests of employees and their families.

### Third Factor

The third factor which has higher loading from *short term employment* (0.670) and *require me to perform only a limited set of duties* (0.585) and *a job for a short-time only* (0.598) falls under the transactional form of the psychological contract, where employment arrangements are for a short term or limited duration primarily focussed upon economic exchange; specific, narrow duties and limited involvement in organization. In this case, employee is obligated to perform only a fixed or limited set of duties, to do only what he/she is paid to do.

### Relationship between Employees' Psychological Contract and Their Job Satisfaction

**Table 11: Correlation matrix showing the relationship between Psychological Contract and Employees Job Satisfaction**

Component of the psychological contract	Statistic	Job Satisfaction
Employer obligation/commitment <sup>+</sup>	Pearson Correlation	.520*
Employer's relationship <sup>++</sup>	Pearson Correlation	-.449
Employee obligation/commitment <sup>+++</sup>	Pearson Correlation	-.293

\*  $P > 0.05$  two tailed  $n=120$

+ Employer obligation/commitment is the extent to which employees perceive that the employer discharges his obligation towards the employee.

++ Employer relationship is concerned with the extent to which the employees feel that the employer is trustworthy, open, fair and involves them in decision making.

+++ Employee's obligation/Commitment addresses the extent to which the employee is loyal to the organisation measured by their desire to remain with the organisation whatever the circumstances.

Pearson's Product Moment Correlation statistic was used to test for the significance of the relationship between employees' psychological contract and their job satisfaction. The results are presented in table

11. The correlation matrix given in table 10 shows that there exists a significant positive correlation ( $r=0.52$ ,  $P \geq 0.05$ ) between employer's obligation/commitment and employee's job satisfaction. In other words, the more an employer is committed to meeting the employees' balanced form of the psychological contract, the more satisfied an employee is with his/her job. The results noted are similar to previous studies which indicated significant relationships between the psychological contract and employees' satisfaction with their jobs (Brockner et al 1992; Guest and Peccei 1992; Noer 1993; Doherty et al 1995, Thornhill and Saunders, 1997 and Thornhill and Gibbons, 1995)

### 3.2 Summary of Findings

#### Relationship Between Employees' Psychological Contract And Their Organization Commitment

**Table 12: Correlation Matrix for the link between the Psychological Contract and Employees' Organizational Commitment**

Component of the psychological contract	Statistic	Organizational Commitment
Employer obligation/commitment <sup>+</sup>	Pearson Correlation	-.079
Employer's relationship <sup>++</sup>	Pearson Correlation	-.075
Employee obligation/commitment <sup>+++</sup>	Pearson Correlation	-.485*

\*  $P < 0.05$  level (2-tailed).

+ Employer obligation/commitment is the extent to which employees perceive that the employer discharges his obligation towards the employee.

++ Employer relationship is concerned with the extent to which the employees feel that the employer is trustworthy, open, fair and involves them in decision making.

+++ Employee's obligation/Commitment addresses the extent to which the employee is loyal to the organisation measured by their desire to remain with the organisation whatever the circumstances.

The correlation matrix given in the table 11 above shows that there exists a significant negative correlation between employees' psychological obligation/commitment and their organizational commitment ( $r=-0.485$ ,  $p < 0.05$ ). It also shows that in overall, there exists a negative correlation between psychological contract and organization commitment. These results are contrary to previous research (Eisenberger et al, 1986; Randall, 1999), which found positive correlations between perceived organisational support and affective commitment.

**SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS****5.1 Introduction**

This chapter makes a summary of the research, gives conclusions on the findings of the research and makes recommendations on areas management should get involved in to design programmes that would enhance organisational commitment and job satisfaction of employees in the organisation.

**5.2 Summary of Findings**

This project was a survey of the relationship between employees' psychological contract and their job satisfaction and organisation commitment of employees in selected commercial banks in Nairobi. It was noted from the results that levels of commitment to the organisations were quite low. Respondents indicated general satisfaction with several aspects of their jobs such as being able to keep busy all the time, the chance to work alone, the competence of their supervisors and feelings of accomplishments with their jobs. Respondents were however dissatisfied with their pay levels, opportunities for advancement within their organisations and the way policies were put into practice. Respondents also indicated that they felt that their employers were somewhat meeting their psychological contracts. However, respondents felt that the quality of their work life continued to be eroded and that their employers were untrustworthy and unpredictable. They also felt uncertain of their future as their employers withheld important information from them.

Generally, most respondents showed satisfaction with their work, an average of 7.5 % were dissatisfied with their jobs, while 21.9% were somewhat satisfied with their jobs and 42.2 were just satisfied with their jobs. However, mean responses on satisfaction was 2.9 (somewhat satisfied), which indicated generally low levels of satisfaction of the respondents with their jobs. Respondents who indicated high levels of satisfaction represented managers, who seemed to have more challenging job experiences and were more

involved in decision making. The results further showed that there exists a significant positive correlation between employer's psychological obligation/commitment and employee's job satisfaction. In other words, the more an employer meets his obligations the more satisfied an employee is with his/her job.

It also emerged that there exists a significant negative correlation between employee's psychological obligation/commitment to organization commitment by an employee. This is contrary to most studies that indicate positive correlations between the psychological contract and employees' commitment to their organisations (Adams, 1963).

### 5.3 Conclusions

The indicators for satisfaction were satisfaction with co-workers, satisfaction with pay, satisfaction with promotion opportunities, satisfaction with supervisors and satisfaction with the job itself. On commitment, the indicators for commitment were affective commitment; feelings of attachment to, identification with and involvement in the organisation, which were identified from statements alluding to feelings of attachment such as "I feel emotionally attached to this company". The indicators for continuance commitment were identified from statements alluding to feelings of the employees on the need to stay with organisation for economic reasons or lack of labour market choice. For example one statement read as "right now staying with this company is a matter of necessity as much as I desire". Indicators of normative commitment were identified from statements alluding to feelings of obligation that employees have on the need to continue with employment. For example one statement read as "I would feel guilty if I left my company right now".

As noted the levels of commitment were quite low, but because commitment is not positively correlated to the psychological contract, it gives the employer other organisational variables that may be focussed on to enhance employees' commitment. It may seem that employees' intention to remain with their organisation

is not necessarily dependent on what they feel as employers obligation towards them. This is more in situations where jobs are scarce and employees would rather stay at their organisations even with broken promises by their employer, than stay without a job.

## 5.4 Recommendations

### a) Recommendations to Employers

Most organisations could benefit from thinking about the balanced form of the psychological contract. Employers should focus on ensuring that they help employees develop marketable skills. They should also give employees opportunities for career development and support employees in meeting increasingly higher goals. For example, if employees are promised promotion opportunities, these should be fulfilled even if it is through job enrichment or lateral transfers which will enhance employee's developmental needs as well.

The psychological contract may have implications for organisations in a number of areas, for example:

#### b) Recommendations for further Research

1. **Process fairness:** it was noted that employees felt their psychological contract was violated in as far as being involved in decision making was concern. In many instances people want to know that their interests will be taken into account when important decisions are taken; they would like to be treated with respect; they are more likely to be satisfied with their job if they are consulted about change. Managers cannot guarantee that employees will accept that outcomes on for example pay and promotion are fair, but they can put in place procedures that will make acceptance of the results more likely.
2. **Managing expectations:** Employers need to make clear to new recruits what they can expect from the job. Managers may have a tendency to emphasise positive messages and play down more negative ones. But employees can usually distinguish rhetoric from reality and management failure

to do so will undermine employees' trust. Managing expectations, particularly when bad news is anticipated, will increase the chances of establishing a realistic psychological contract.

Interest in the psychological contract has been stimulated by fears about job insecurity. Survey evidence suggests that, although such fears have been exaggerated, employers should nevertheless be paying more attention to restoring employees' trust in their organisations. This means clarifying what is on offer, meeting commitments or if necessary explaining what has gone wrong, and monitoring employee attitudes on a regular basis. Employers should look at other areas of enhancing employees commitment of their organisation.

The psychological contract provides a convincing rationale for behaving as a good employer. It offers a perspective based on insights from psychology and organisational behaviour rather than economics. It emphasises that employment is a relationship in which the mutual obligations of employer and employees may be imprecise but have nevertheless to be respected. The price of failing to fulfil expectations may be serious damage to the relationship and to the organisation.

#### **b) Recommendations for further Research**

As noted in the research findings, the psychological contract is not positively correlated with organisational commitment. Studies should therefore be conducted to determine the antecedents of organisational commitment in a set up with few job opportunities and low quality of work life continues such as Kenya. It would also be important to research in other areas where the psychological contract can be studied. For example studies can be undertaken to determine whether the psychological contract has any implications on individual performance which may impact on overall organisational performance.



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### 5.5 Limitations of the study

Limitations of the study included the non sampling errors such as response differences, definitional difficulties, differing respondent interpretations, and respondent inability to recall information.

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## Appendix 1: Letter of Introduction

Brenda Abwavo  
P O Box 50810  
NAIROBI

### RE: THE PSYCHOLOGICAL CONTRACT AND ITS RELATIONSHIP WITH EMPLOYEE, COMMITMENT AND JOB SATISFACTION: A survey of employees of the commercial banks in Nairobi.

I am a student at the University of Nairobi doing my Master Degree in Business Administration (MBA). I am undertaking the above research project as part of the academic requirements. I would be grateful if you could request staff to spare some time and fill the attached questionnaire – answering the questions as honestly as possible. I need 5 managers and 5 general support staff to fill the questionnaires.

The information given shall be treated with the utmost confidentiality, and will be used solely for this research. However, the findings of this research can be availed to you upon completion of the research.

Upon completion of the questionnaire, let them the questionnaires in the envelopes provided, and I will pick it from your offices. In case of any queries, do not hesitate to call me on 0722342619 or 2731330 or email me on [babwavo@akinsure.com](mailto:babwavo@akinsure.com) or [brendalison@yahoo.co.uk](mailto:brendalison@yahoo.co.uk) in case of any clarifications.

Thank you for your cooperation.

Yours sincerely

Brenda Alison Kagony'a Abwavo  
**MBA Student**

## Appendix II

### QUESTIONNAIRE:

#### INSTRUCTIONS

1. Please answer all questions in order.
2. Most questions can be completed by filling in one of the answer spaces. If you do not find the exact answer that fits your case, use the one that is closest to it.
3. For most of these questions you will have five possible answers to choose from to indicate your thinking about each question.
4. Remember the accuracy of your description depends on your being straightforward in answering this questionnaire. You will not be identified with your answers.
5. Definitions: To accurately complete this questionnaire you will need to know that when a question refers to:
  - a) Your ORGANIZATION, COMPANY, it means the largest unit where you work. Typically, this will mean the Bank you work for.
  - b) Your SUPERVISOR, it means the person to whom you report directly.
  - c) Your WORK GROUP/CO-WORKERS, it means all those persons who report to the same supervisor that you do.
6. Now that you have completed the instructions, please begin with Part 1, question 1 below:

#### Part 1: Respondents Profiles

1. Name of respondent (optional) \_\_\_\_\_
2. Rank/Designation of the respondent \_\_\_\_\_
3. Gender \_\_\_\_\_
4. Age Group
  - ◆ 30 and below
  - ◆ 31 to 40
  - ◆ 41 to 50
  - ◆ 51 to 60
  - ◆ 61 and above
5. How long have you been working with this bank?
  - ◆ 0 – 2 years
  - ◆ 2 – 5 years
  - ◆ 5 – 7 years
  - ◆ Over 7 years

## Part 2: ORGANISATION COMMITMENT

Please indicate how *you personally feel about your job*. Each of the statements below is something that a person might say about his or her job. Please indicate your own personal *feelings* about your job by indicating how much you agree with each of the statements.

	1	2	3	4	5
	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
<b>Affective Commitment</b>					
I would be very happy to spend the rest of my career with this company.					
I really feel as if this company's problems are my own					
I feel a sense of belonging to my company.					
I feel emotionally attached to my company.					
I feel like I am part of the family at my company.					
This company has a great deal of personal meaning for me.					
<b>Continuance Commitment</b>					
Right now staying in this company is a matter of necessity as much as I desire.					
It would be very hard for me to leave my company right now, even if I wanted to					
Too much of my life would be disrupted if I decided to leave my company at this time.					
I feel that I have too few options to consider leaving my organisation at this time.					
If I had not put so much of myself into this company, I might consider working elsewhere.					
One of the few negative consequences of leaving my company would be the scarcity of available alternatives.					
<b>Normative Commitment</b>					
I feel an obligation to remain with current employer.					
Even if it were to my advantage, I do not feel it would be right to leave my company.					
I would feel guilty if I left my company now.					
This company deserves my loyalty.					
I would not leave my company right now because I have a sense of obligation to the people in it.					
I owe a great deal to my company.					

### Part 3: JOB SATISFACTION

Please indicate how *satisfied* you are with each aspect of your job listed below. Use the following scale

5 = Extremely Satisfied

4 = Very Satisfied

3 = Satisfied

2 = Somewhat Satisfied

1 = Not Satisfied

	5	4	3	2	1
Satisfaction	Extremely Satisfied	Very Satisfied	Satisfied	Somewhat satisfied	Not Satisfied
Being able to keep busy all the time					
The chance to work alone on the job					
The chance to do different things from time to time					
The chance to be "somebody" in the community					
The way my boss handles his/her workers					
The competence of my supervisor in making decisions					
Being able to do things that don't go against my conscience					
The way my job provides for steady employment					
The chance to do things for other people					
The chance to tell people what to do					
The chance to do something that makes use of my abilities					
The way company policies are put into practice					
My pay and the amount of work I do					
The chances for advancement on this job					
The freedom to use my own judgment					
The chance to try my own methods of doing the job					
The working conditions					
The way my co-workers get along with each other					
The praise I get for doing a good job					
The feeling of accomplishment I get from the job					



### Part 4: The Psychological Contract Inventory

Consider your relationship with your current employer. To what extent has your employer made the following commitment or obligation to you? Please answer each question using the following scale:

1                      2                      3                      4                      5  
 Not at all          slightly                  somewhat              moderately              to a great extent

	1	2	3	4	5
	Not at all	Slightly	Somewhat	Moderately	To a great extent
A job only as long as the employer needs me					
Concern for my personal welfare my work.					
Limited involvement in the organisation					
Support me to attain the highest possible levels of performance					
Opportunity for career development within this firm					
Help me develop marketable skills					
Secure employment					
Makes no commitments to retain me in the future					
Training me only for my current job					
Be responsive to my personal concerns					
Help me to respond to an even greater industry standards					
Developmental opportunities with this firm					
Job assignments that enhance my external marketability					
Wages and benefits I can count on					
Short term employment					
Make decisions with my interests in mind					
A job limited to specific, well -defined responsibilities					
Support me in meeting increasingly higher goals					
Advancement within the firm					
Potential job opportunities outside the firm					
Steady employment					
A job for a short time only					
Concern for my long-term well-being					
Require me to perform only a limited set of duties					
Enable me to adjust to new, challenging performance requirements					
Opportunities for promotion					
Contacts that create employment opportunities elsewhere					
Stable benefits for employees' families					

To what extent do the items below describe your employers' relationship to you? Please answer each question using the following scale

	1	2	3	4	5
	Not at all	Slightly	Somewhat	Moderately	To a great extent
Withholds information from its employees					
Difficult to predict future direction of its relations with me					
Demands more from me while giving me less in return					
Acts as if it doesn't trust its employees					
An uncertain future regarding its relations with me					
Decreased benefits in the next few years					
Introduces changes without involving employees					
Uncertainty regarding its commitments to employees					
Stagnant or reduced wages the longer I work here					
Doesn't share important information with its workers					
Uncertainty regarding its commitments to me					
More and more work for less pay					

To what extent have you made the following commitment or obligation to your employer? Please answer each question using the following scale.

	1	2	3	4	5
	Not at all	Slightly	Somewhat	Moderately	To a great extent
Quit whenever I want					
Make personal sacrifices					
Perform only required tasks					
Accept increasingly challenging performance standards					
Seek out developmental opportunities that enhance my value to this employer					
Build contacts outside this firm that enhance my career potential					
Remain with this organisation indefinitely					
I have no future obligations to this employer					
Take this organisations concerns personally					
Do only what I am paid to do					
Adjust to changing performance demands due					

to business necessity					
Build skills to increase my future employment opportunities elsewhere					
Plan to stay here a long time					
Leave at any I choose					
Protect this organization's image					
Fulfil limited number of responsibilities					
Respond positively to dynamic performance requirements					
Make myself increasingly valuable to my employers outside the firm					
Continue to work her					
I am under no obligation to remain with this employer					
Commit myself personally to this organisation					
Only perform specific duties I agreed to when hired					
Accept new and different performance demands					
Actively seek internal opportunities for training and development					
Seek out assignments that enhance my employability					
Make no plans to work anywhere else					

Please answer the following questions using this scale:

	1	2	3	4	5
	Not at all	Slightly	Somewhat	Moderately	To a great extent
Overall, how well does your employer fulfil its commitments to you					
Overall, how well have you fulfilled your commitments to your employer					
In general, how well does your employer live up to its promises					
In general, how well do you live up to your promises to your employer					
Overall, how satisfied are you in your job?					

To what extent do you believe the commitments your employer has made to you are the responsibility of the following:

	1	2	3	4	5
	Not at all	Slightly	Somewhat	Moderately	To a great extent
Your co-workers/work group					
Your boss/ manager					
Senior management					
The organisation					
Other(s) (Whom?)					

Thank you for taking the time to complete this questionnaire.

Please enclose the questionnaire in the envelopes provided and seal the envelopes.