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Psychological contracts for key employees: Manager personality can enhance creation and fulfillment

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Psychological contracts for key employees

Manager personality can enhance creation and fulfillment

It is often stated that any organization's most valuable asset is its workforce. Effective management of human capital is therefore crucial if the firm is to prosper.

Psychological contracts at work

To this end, managers have an important part to play. A key feature of their role is to help entice, develop and retain talent. They additionally act as the company's agent in establishing the psychological contract (PC) that is sometimes created between the employer and an individual worker.

Psychological contracts reflect certain obligations the company makes to an employee. Managers act to facilitate these agreements that often involve both explicit and implicit pledges. Their profound understanding of the employer perspective makes them ideal for this function.

Perhaps the most vital aspect is ensuring that the conditions of a PC are fulfilled. When an employer meets these obligations, the impact is invariably positive. Workers identify more closely with the organization and their dedication and loyalty rise accordingly. The reverse is equally true though. Perceived failure to deliver on promises leads to disengagement and an increased likelihood of leaving the firm.

It is common for PCs to contain both transactional and relational aspects. The former are regarded as the foundation and include such as financial exchanges between the company and the employee. Transactional elements are short-term in nature.

An increased longer-term orientation and a greater focus on emotional facets of the relationship makes contracts more relational. These features are significant in that they are:

- customized for each employee to some extent;
- included at the manager's discretion; and
- are likelier to be influenced by manager personality when compared with the PCs incorporating those which are largely transactional.

The importance of manager personality dimensions

Previous work has largely ignored the significance of manager personality in this context. However, a strong possibility exists that the factor is highly influential in determining PC's

content and whether or not the obligations are fulfilled. The importance of manager's personality is assumed to increase as a contract becomes more relational.

The so-called Big Five personality dimensions are regarded as potentially most influential. Managers are more prone to affect PCs when they demonstrate:

- *Agreeableness*: Individuals who rate highly in this characteristic care for others and are enthusiastic about helping them. Interaction comes naturally too, so it is normal for strong personal associations to develop. Agreeable managers better understand individual employee needs and will usually strive to meet them. As relationships are highly valued, it is perhaps reasonable to infer that such managers will be determined to ensure that PC promises are upheld.
- *Conscientiousness*: Reliability and sound organizations are among the manifestations of this personality dimension. Sound planning, organization and execution of tasks are further signs of its existence. Managers who are conscientious are more prone to achieve goals at work and adopt a firm emphasis in the longer term. Evidence additionally suggests a propensity toward relational PCs and a steely determination to fulfill them.
- *Extraversion*: People strong in this trait are typically friendly and sociable. An eagerness to please others is also a feature, implying manager's willingness to offer favorable PC terms to their subordinates. Being outgoing also enables them to gain early insight into any problems that might prevent obligations being met. That they are disposed to satisfy employees should guarantee firm efforts on their part to prevent any breach of PC terms. However, one danger is that their optimistic outlook and trust in others might impair their ability to recognize when a violation is possible.

The remaining two personality dimensions seem to have little relevance where these contracts are concerned. Being open to new experiences reveals that someone is curious and imaginative. Excitement is similarly valued. As these factors arguably reflect instability, openness to experience is hardly conducive toward stable long-term working relations.

Neuroticism is arguably even less connected to PCs. This trait is reflected through feelings such as stress and nervousness, so it would be unusual for a neurotic individual to be socially competent and able to assume control. Forming close relationships with employees would also be less likely for managers rating high on this dimension. In addition, suffering from anxiety hardly places them in the ideal position to care for the needs of others.

By definition, managers invest substantially in relational PCs. Their strong orientation toward the longer term invites the assumption that the prospects of delivering on promises will rise as the contract becomes more relational. Failure can be costly, as employees may deem it a breach of trust. Relations can be harmed as a result.

Organizational structure and its effect

But manager personality alone does not guarantee satisfactory creation and fulfillment of PCs. Organizational factors can also determine what scope a manager will have. For instance, his or her freedom to make certain promises is almost certain to be constrained within firms where:

Perceived failure to deliver on promises leads to disengagement and an increased likelihood of leaving the firm.

The importance of manager personality is assumed to increase as a contract becomes more relational.

- policies and procedures are largely formal;
- decision-making is centralized; and
- communication between different organizational levels is limited.

On the contrary, discretion is much greater in companies where information flows freely, decision-making is less hierarchical and greater flexibility prevails.

Formalization is obviously beyond any manager's control. While its existence does not prevent managers from meeting certain PC obligations, the task becomes much more difficult. Therefore, it would considerably help if firms could grant managers greater autonomy to make promises to staff and, more importantly, adhere to them. Doing so would surely have a positive effect on organizational performance and the retention of key talent.

It may not be possible to delegate more power to managers. In such situations, firms and companies should:

- clearly define boundaries so that managers become fully aware of what pledges can and cannot be made to employees;
- articulate what procedures should be followed if a special case arises where an individualized deal does have to be made; and
- strive to train managers so that terms of the PCs they offer comply with the firm's HR strategy.

Coaching could also address how staff requirements and expectations could be managed more efficiently.

Additional factors such as organizational culture might indirectly affect PCs. How manager personality informs creation and fulfillment could likewise be influenced by economic pressures or other externalities. Whether managerial level or industry type has any bearing is also worthy of consideration.

Comment

The review is based on "The manager as employer agent: The role of manager personality and organizational context in psychological contracts" by Isabel Metz, Carol T. Kulik, Christina Cregan and Michelle Brown. It is mooted here that certain manager personality dimensions can positively influence the effectiveness of psychological contracts between employer and individual employee. A key claim is that managers indicating high levels of these dimensions are likelier to successfully create contracts and will strive to ensure that the company will subsequently deliver on promises made.

Keywords:
Personality traits,
Organizational structure,
Psychological contract

Reference

Metz, I., Kulik, C.T., Cregan, C. and Brown, M. (2017), "The manager as employer agent: The role of manager personality and organizational context in psychological contracts", *Personnel Review*, Vol. 46 No. 1, pp. 136-153, doi: 10.1108/PR-04-2015-0087.

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