

Organizational Culture And Empowering Leadership In Relation With Psychological Contract Fulfilment

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Abstract

In these unstable and ever-evolving times, an employee is undoubtedly the biggest asset of an organization; any organization aiming to survive as well as thrive in competing market must create a workplace wherein organizational mission and vision align with the employee individual goals. It is critical for employees' psychological contracts to be fulfilled in order to attain goals and in doing this, empowering behaviours of leaders, as well as culture of organization, play a critical role. This research investigates the relationship between empowering leadership, organizational culture and employee psychological contract fulfilment. From the responses gathered from 119 employees working in banking and IT organisations in Delhi and neighbouring regions, it was unravelled that indeed leaders' empowering behaviours as well as the organizational culture have a relation with the psychological contract fulfilment.

Keywords: psychological contract fulfilment, culture, banking sector, empowering leadership, workplace flourishing

Introduction

The nature of empowering leadership has typically been explained in more than one way in the extant literature. The primary defining characteristic of empowering leadership are those behaviours which encourage and motivate employees to voice their ideas and opinions, collaborate with supervisors in decision making processes and being actively involved in information and knowledge sharing (Burke et al, 2006; Pearce et al, 2003). The other most appealing characteristic of empowering leadership is in its decentralized power distribution process; motivating employees and supervisors to share the distribution of power and control over different tasks (Konczak et al, 2000; Conger & Kanungo, 1988). Even though empowering leadership is understood in differing terms, the main essence in various definitions remains the same- focus on leader 'behaviours' on encouraging and empowering the workforce.

Empowering leadership is a rather novel leadership type wherein the leaders and top management often provide their employees with a substantial amount of autonomy in conducting their tasks and also directing their own goals (Liu et al., 2003). Empowering leadership behaviours and experiences of psychological contracts have been found to have significant ties (Vatankhah, 2021). Even though it is widely acknowledged that leadership is a two-way process and that in order for leader behaviours to be effective, followers need to accept those behaviours (Li et al, 2013; Zhu, Avolio, & Walumbwa, 2009).

From a social psychology perspective, in regard to the employees' psychological contract fulfilment, it can be understood that an individual's experiences and mental processes have a huge role to play when it comes to formation and reformation of their psychological contract expectations. An individual's conscious effort to advance their efforts in shaping the expectations have a huge influence on the extent to which they are able to shaped their psychological contract expectations as per the leader's empowering behaviours (Dabos and Rousseau, 2013; McDermott et al., 2013). A number of factors influence the manner in which employees perceive how ell their organization supports them and provides various resources for them, for instance, employee's involvement in decision making (Allen et al., 2003), being able to get opportunities to advance and progress through career progressions (Wayne et al., 1997), as well as having a say in how things are done in their teams and departments (Eisenberger et al., 1999); all these factors together provide a picture as to how well an organization is viewed by the employee. Going by these theoretical frameworks, empowering leadership can be understood as the means by which leaders provide that much autonomy to the employees, by which they are able to function autonomously (Vecchio et al., 2010).

The major portion of research have analysed organizational culture as a collective amalgamation of underlying features of values, norms, ethos and beliefs which are presumably shared by all employees and guide their work behaviours (Detert et al., 2000). This underlying clarity regarding the organizational culture construct is owed to the seminal work of Pettigrew (1979), who analysed organizational culture as a mixture of symbols, norms, ethics, values and rituals. On similar lines, numerous scholars have defined organizational culture as being a function of values, ethos, norms and beliefs prevalent in the workplace along with the more informal gossip, stories and way of interpersonal communication (Swidler, 1986), a manner in which the entire organizational populace perceives and deals with problems and inconveniences which must be passed on to the new entrants as the proper manner of thinking, feeling and dealing with issues in the workplace (Schein, 2004), and a set of beliefs, values and artifacts which determine how employees in a workplace behave and work (Barney, 1986).

The decade of 1980s saw a huge increment in organizational culture research, wherein scholars tried to study its' nature, types, and its' impact on employees as well as organizations itself. Various researchers have tapped into and theorized the organizational culture construct wherein researchers have explained the crucial impact values and beliefs have in formation of organizational culture; Terrence Deal and Allan Kennedy corporate culture (1984), William Ouchis theory Z (1981), and Peters and Waterman's "in search of excellence" (1982) are a few examples. In the prevailing research studies, it is quite clear that those organizations thrive and have a good business output who have clear manifestations of their culture and where every employee is adept with the way things are done in the organization (Peters and Waterman, 1982).

It is also apparent that when the culture is dominating in terms of the values and norms which are followed, it is seen that in such organizations employees have a better understanding of the duties they are expected to perform and are able to contribute to the organizations' vision and mission statement to a greater extent. Employees through and through the hierarchy are aware of the duties they ought to perform and are also aware of the norms and guiding principles they ought to follow. Scholars throughout the years have defined and conceptualised organizational culture but the one characteristic that is common in across studies is that it is considered as a 'people's construct'- the amalgamation of things that make each organization different in their field of operation (Kiimaa et al; 1995; Deal & Kennedy, 1982).

Argyris (1960) has been credited to coin the concept of psychological contract. Rousseau (1998) can be said to be the pioneer in taking the psychological contract construct forward towards a new conceptualisation. As per the researcher, a psychological contract encompasses the cognitive belief that there exists certain unsaid promises and expectations between the employer/organization and themselves. The subjective nature of these obligations leads to the belief that over time, these expectations have risen and whether one party will fulfil their part of promises depends on how much the other party fulfils their promises. It can thus be inferred that psychological contract are essentially

a reciprocal relationship between the employee and employer based on their respective beliefs about the unsaid promises and expectations from each other.

For a psychological contract to be considered fulfilled, the mutual expectations on both the sides of the parties should be met (Rousseau, 1989; Kickul & Lester, 2001). According to Rousseau (2011), psychological contract fulfilment is when the promises and expectations between employer and employee have been met. Rousseau (2011) posits that organizations can reap benefits of employee psychological contract fulfilment in terms of enhanced commitment, loyalty towards the organization and job satisfaction. Leaders who make attempts to fulfill their obligations towards their employees are more likely to have a workforce which is committed towards doing their part in achieving organizational goals (Lester et al, 2003).

Literature Review

The prevailing researches in the organizational psychology field were examined and the theoretical relation among empowering leadership, organizational culture and the psychological contract fulfilment was unravelled. The transactional nature of psychological contract is has been found to have reciprocal links with affective commitment and organizational citizenship behaviour whereas empowering leadership to an extent exerts its influence on psychological contract breach and related organizational outcomes. (Philipp, 2013).

Employees who perceive their psychological contract expectations to not have been met by their supervisors/leaders, often believe that their employment relationship is unbalanced (Stoner et al.,2011). Research also suggests that empowering leadership does indeed have an influence on the breach experiences of employees' psychological contracts (Koçak and Burgas, 2017; Kodden & Roelofs, 2019) .In order to maintain a harmony between the employees' and organizations' expectations, it is essential for both the parties to follow through certain behaviours; employees must be able to inculcate within them the accepted norms and behaviours within the organization whereas the leaders must be able to fulfil their part of the obligations towards the employees. In doing so, employees not only carry out their tasks diligently but also tend to be more loyal towards the workplace.

An organizations' culture is often credited to be a significant predictor of success or failure of their business and the overall organizational performance. Indeed, organizational culture has is a vital aspect of assessing whether an organization is doing well for itself in terms of generating profits and retaining employees (Luthans, 1998). Organizational culture is not only essential from the viewpoint of business and individual outcomes but also from the perspective of inculcating a feeling of belongingness with the organization and among the employees (Kreitner and Kinicki 2001). It has also been found that employees often perceive their organization's culture to be either weak or strong and this perception often impacts the way employees contribute to the organizations' goals and mission; employees who perceive their organizations' culture to be weak often do not contribute to its productivity and goals; while employees who believe that their organization's culture is strong have a feeling of putting in efforts to contribute to the overall goals of the organizations while also fulfilling their own personal goals. Organizational culture and psychological contract fulfilment too have been found to have significant ties (Lee et al., 2018). It has also been found that the way employees perceive their leaders' behaviours towards them can be influenced by the degree of contract fulfilment experienced by the employees (Choi et al., 2019).

The more an employee reports feelings of breach of their psychological contract, more prone they are to also report lower levels of affective commitment towards the organization as well as being less engaged in their work. For an organization to thrive in the competitive environment, it is essential from leaders to focus on the contract fulfilment of employees as it has numerous implications on employee behavioural outcomes such as organizational citizenship behaviour and intention to leave the organization. When a relational contract is breached or the feelings of violation occur, employees are more likely to exhibit lower levels of satisfaction with their job and also tend to exhibit normative

commitment towards the organizations in opposition to affective commitment (McCabe & Sambrook, 2013).

In the employment contracts in organizations, a special place is essentially reserved for psychological contracts (Pate and Malone, 2000). It has been found that even a single episode of violation and breach of an employee’s psychological contract often leads to a long-lasting impact on employees which in turn affects how employees perceive and carry forward their interactions with their leaders.

On the basis of the literature review, the following hypotheses were made:

H1- Stronger the leaders’ empowering behaviours, greater will be the employees’ experience of psychological contract fulfilment

H2- Organizational culture will influence the experience of employees’ psychological contract fulfilment.

Method

Participants

With the use of purposive sampling, individuals employed in banking and information technology sectors were asked to provide their valuable inputs by being a part of this study. Because formation and reformation of psychological contract is a time dependant and ongoing process, employees who have had a minimum of 2 years of tenure with the present organization were taken into consideration. Out of 119 participants, 86 were male while 33 respondents were female, making the sample of men to be 72.26% and the female sample to be 27.73%. Out of the 119 sample, 69 employees had a tenure of 2-4 years with the current organization, 17 employees had a tenure of 5-7 years with the organization, 28 employees had a tenure of 8-10 years with the organization and 5 employees had a tenure of 10+ years in the organization. As per the respondents, 94 employees had a bachelor’s degree, 23 employees had a master’s degree and 02 employees had a PhD or equivalent degree as educational qualification.

Instruments

For the collection of data, the following tools were used:

Empowering leadership was assessed with the 18-item Empowering Leadership scale developed by Amundson and Martinsen (2014). It assesses 08 empowering leadership behaviors: delegating, initiative, goal focus, efficiency support, inspiring, coordinating, modeling and guidance.

The 18-item scale by Singh and Mishra (2009) was utilised to assess the organizational culture. The scale is sub divided in the dimensions of pressure, encouragement, freedom and challenging work. The scale yields a composite score.

Psychological Contract fulfilment was assessed using scale developed by Robinson and Morrison (2000).

Results

Table 1: The mean, standard deviations and reliability of the tools used

Construct	Sub dimensions	No. of items	Mean	Standard Deviation	Cronbach alpha
Empowering Leadership	Autonomy support	12	53.85	2.019	0.681
	Development support	06	37.38	2.520	
Composite scale		18	91.23	4.539	0.758
Organizational Culture	Pressure	05	11.14	1.183	
	Freedom	03	13.71	1.762	
	Encouraging	07	26.70	1.338	
	Challenging Work	03	12.04	1.270	
Composite Scale		18	63.09	5.553	0.717
Psychological Contract Fulfilment		05	18.19	0.812	

Table 2: Correlation between Organizational culture and psychological contract fulfilment.

Pressure	1				
Encouragement	.493**	1			
Freedom	.269*	.359**	1		
Challenging Work	.250**	.274**	.289**	1	
Organizational Culture total	.263**	.592**	.672**	.530**	1
Psychological Contract Fulfilment	-.537*	.249*	.162**	.497**	.295*

** correlation significant at 0.05 level of significance
 * correlation significant at 0.01 level of significance

Table 3: Correlation between empowering leadership and psychological contract fulfilment

Variable	Empowering leadership	Psychological contract fulfilment
Empowering leadership	1	0.62*
Psychological contract fulfilment	0.62*	1

*correlation is significant at p=0.01 level of significance

Discussion

The aim of the study was to study the relationship between empowering leadership, organizational culture and employee experiences of psychological contract fulfilment. Empowering leadership is understood as any such behaviours by the leaders which enable employees to do things their own way with accountability. The culture of an organization is understood as those values and unsaid unwritten rules which enable all affiliated to function and operate within the organizations. Psychological contracts are an essential construct as how employees perceive their interactions and interpersonal relations with the leaders and how these interactions can influence other crucial employee behavioural outcomes. Social exchange theory deals with a perspective that humans involve themselves in certain interactions wherein the interpersonal relations are solely based on the input and output ratio as perceived by the individual, with respect to the other part involved in this relationship (Blau, 1964). This social exchange perspective has been repeatedly studied in the organizational context, studying the interactions between the employees and the organization (Coyle-Shapiro and Conway, 2005). Psychological contracts can be understood as the unsaid agreements made between the organization and the employees which is often based on the past experiences of such interactions and prior social experiences (Rousseau, 1995). Psychological contracts are basic guidelines which guide the relation between the employees and employers which guides how well an employer will perceive the present employment relationship. The major characteristic of a psychological contract is that it is perceptual and subjective; meaning employees and employers will often have biased outlooks and opinions as to how well the other party has upheld their part of the contract (Coyle-Shapiro and Kessler, 2000). Much of the focus of research in the psychological contract domain has been on the implications of breach and violation of the same (e.g., Bunderson, 2001; Deery et al., 2006; Raja et al., 2004; Restubog et al., 2008; Zhao et al., 2007). Dabos and Rousseau (2004) also point to the lack of research evidence as to how experiences of fulfilment of psychological contracts impact various employee and organizational outcomes (e.g., Chi and Chen, 2007; CoyleShapiro and Kessler, 2000; Lambert et al., 2003; Lester et al., 2007).

The nature of an organizations' culture helps in determining the defining characteristic of the organization which helps to act as a guiding force for leaders and employees to either do or not to do certain things. The organizational culture also acts as a framework to understand how the various processes in the organization work. The social relationships and interactions in the organization are also said to be a vital by product of the strength of the organizational culture (Kreitner and Kinicki 2001). Research regarding the strength of the organizational culture indicates that employees who perceive their organizational culture as strong often are more cooperative, they are more willing to carry out tasks in teams and are more likely to indulge in group activities as compared to employees who perceive their organizational culture to be weak.

The links between organizational culture and psychological contract experiences of employees have been explored in earlier studies, for instance, Makin, Cooper, and Cox (1996) posit that productivity of organizations would increase many folds if psychological contract is taken with as much seriousness as a legal contract is. The main characteristic of psychological contracts which make it unique is that they are subjective, stemming from personal biases and also have no form of proof of being accepted by the other party. What may be considered as part of the psychological contract by the employer, may not be the same for the employee and vice versa, therefore it is essential to have a clear understanding of each party's expectation and the obligation that both need to fulfil (Rousseau, 1995). Typically, both the employee and employer believe that they have set a mutual psychological contract which is accepted by both.

The results of this study were in line with the findings of Rousseau (2004) which points to the fact that the organization's guiding principles and values are crucial in shaping employees' perceptions of their expectations and psychological contract formation. Employees form and reshape their contracts as per the social interactions with their leaders. These shared values and guiding principles are necessary in determining how employees evaluate their own psychological contracts (Shemmerhorn et al. 1994). For instance, a positive evaluation of one's psychological contract will result in positive employee outcomes, in terms of commitment, organizational citizenship behaviour, trust, etc and similarly, a negative evaluation of one's psychological contract will result in less favourable outcomes such as absenteeism, job dissatisfaction and decreased employee wellbeing (Putri and Handoyo 2014). The present study does indeed report a significant correlational relationship among empowering leadership, organizational culture, psychological contract breach and fulfilment.

Conclusion

The research focused on the relationship among empowering leadership, organizational culture and the employee outcome- psychological contract. Organizational culture has been considered as a key aspect of growth and a good business strategy also stems from the culture. Employees who are given an atmosphere to flourish and do things with autonomy and have the freedom to set their individual goals and tasks often have feelings of fulfilment of their psychological contract. Leaders' empowering behaviours have also been found to be highly significant in shaping how employees evaluate their employment relations. Inferences can be drawn based on the research that empowering leadership and organizational culture do indeed have a significant relationship with perceptions of breach and fulfilment of employees' psychological contracts.

Scope for future research

Future researches should investigate the different pathways through which empowering leadership impacts various employee outcomes and also understand how this interaction may stem from the organizational culture. The role that other organizational factors such as organizational policies and leader's personality should also be studied to understand if they have an influence in formation and/or reshaping of an psychological contract. It would also be interesting to note if there exists a difference in the perception of individual psychological contract based on the age of employees and tenure spent in an organization. A cohort study would also be beneficial in highlighting any key events which give rise to feelings of breach or fulfilment of an employees' psychological contract.

Implications for managers

The implications of the study include the following-

- a) The study has highlighted the importance of leaders' empowering behaviours and organization's culture in dealing with the psychological contract of employees. Managers can take notes as to how their interactions and actions have an influence on the negative and positive cognitive evaluations of them and the organization as a whole, by the employees.
- b) Leaders are also advised to inculcate in their organization's culture, such values and norms which encourage employees to do tasks by themselves and leave space for autonomous decision making and goal setting.
- c) Academicians and researchers can also develop this theoretical framework further to understand in depth the more complex ways in which perceptions of breach and fulfilment of employee psychological contracts work and the organizational antecedents it may be.

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