

Not worth the paper...

The Secret Power of the Psychological Contract at work

- Steve Bernard, Sept. 2013



With our contracts and agreements the last thing we want to hear is that, "It's not worth the paper it's written on." If we want to be trusted we must first explore the secret power of the psychological contract.

Simply put the psychological contract is the 'deal' between an employer and employee. It's about the perceived obligations & expectations of both towards each other. For most people work remains a big part of their lives & their identity. So this contract, now more than ever really does matter. The belief in whether those obligations are met determines much more than an engagement statistic. It will impact work performance, retention rates, and importantly the way people treat and relate to one another at work. The world changes fast and so do work environments; good organisations appreciate that there is no room for complacency in meeting these two-way obligations.

Work is a big feature in our lives! Our teenage years are very influential in the creation of our personality but it is the rest of our daily working life where our values, our hopes and expectations come face to face with the organisational reality – the way things really are around here. These expectations are influenced by our line manager, our colleagues and the wider business context and job we perform. I would argue that far from being not worth the paper... the psychological contract is actually more influential and therefore important than any legal contract in real world performance terms.

Expectations vary enormously based on personal values, organisational values and of course what targets are set. The health of the psychological contract is directly related to levels of engagement. If we borrow from the 6 key principles of the Connectwell Engagement Model (CEMistry) we can clearly see some themes or types of expectation to look out for:

- **Story:** People expect the right (for them) level of communication and time spent on understanding the organisation's story and journey. "What's the big picture, and why is that important to me?"
- **Lead Me:** Individuals expect to be able to trust their immediate boss. They want consistency and a genuine, honest relationship.
- **Support & Freedom to Succeed and Grow:** Work has to be engaging and interesting. There needs to be a personal sense of satisfaction in what people achieve and confidence that they can achieve more in a supportive environment.

Obligations and expectations often happen at a 1to1 level. Within a standard employee – line management relationship for example, not honouring the psychological contract can take many forms. At their worst line managers may not be clear at setting performance expectations. This can automatically set off a cycle of disappointment when those expectations are not met. In contrast, from an employee's point of view, it is far too easy sometimes to simply tolerate a job that they don't actually enjoy or feel connected to and then coast!

Engineering / Manufacturing Industry: During a recent mentoring conversation with a Director, we identified a negative performance loop with one of her direct reports. The executive in question was disappointed with the results and had given up and withdrawn support from their colleague. We worked on making the dialogue more functional and being clearer from both sides as to 'what good looked like' and what it would take to get there.

Whether or not deadlines are met, if we really treat customers exceptionally well, the swearing or slightly aggressive behaviour of a few, the perceived favoured employee who gets an easier ride... the little clues and realities of the way things are vary from person to person. The point is that it affects us and our performance more than we can imagine. Repeatedly breaking this contract or ignoring it when it's not working has a cumulative effect. At best performance will become very 'transactional', with people doing the bare minimum, tolerating poor standards and getting tired and 'tuned out' of really caring. At worst you may create an environment where cynicism creeps in and individuals are actively sabotaging work place performance, e.g. changing vital data, engaging in unsafe practice, ignoring risk.

As part of a wider research programme (on engagement), the Kingston Business School & the CIPD did some major research into this area back in May 2012 (1). Here are just some of the tangible results they discovered around broken psychological contracts, when engagement falls to transactional:

- Increased levels of employee 'Burn Out'
- Lower levels of retention
- Higher instances of sabotage of organisational performance / change initiatives
- Less likelihood of discretionary 'extra-role' behaviours and performance (helping others to succeed)

The psychological contract and taking care of its health is generally not far enough up the managerial agenda. It tends to be too invisible, poorly understood, or ignored through fear of not knowing what to do. Luckily there are always opportunities to reengage with your people, and more often than you think! Whenever the wider organisational context or environment changes, so can you! Consider just a few recent examples from the UK; The Care Quality Commission (CQC), BBC, G4S, Amazon, RBS. All have had some kind of context change, whether it's a debate about how much tax is paid, executing public duties effectively or questions about whether the culture is serving the country. There is no such thing as an absolute 'great' organisation - we all go through good and tough times.

Mature organisations know intuitively that change is an opportunity. They spend significant time and effort both listening and reading the 'way things are around here' from the shoes of their people, their customers and others. They will seek to understand the personal values of the people working for them, understand whether a promise or expectation might be in danger of being broken and talk about it / put it right. They will communicate like crazy and constantly set and reset expectations as necessary while remaining consistent in their story and their own style.

At Connectwell we work with a whole variety of leaders, managers and people champions to support engagement and the real result benefits that flow from it. We think lifting the general levels of engagement in UK PLC from their current 30-50% is as essential a cause as rebalancing the economy as it gets back on its feet.

'Work done' & 'Pay received' are quite literally the tip of the iceberg when it comes to the psychological contract. Not only are they having a real impact in your organisation, with the right approach they are easier to see & improve. Organisations can't always predict when their business context will change for better or worse often. For that reason, high performing organisations are constantly asking themselves, "Forget the written contracts, are we satisfied with the way things are around here with our people?" Are you?

psychological contracts 'iceberg' model



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(1) Emotional or Transactional Engagement – does it matter?
CIPD Research Insight 2012 (Kingston Business School)