

THE EFFECTS OF PSYCHOLOGICAL CONTRACT ON EMPLOYEE
PERFORMANCE: A CASE OF TELKOM KENYA.

PROJECT REPORT

BY

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To my Dad; my hero and friend

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APPROVAL OF REPORT

DECLARATION

This research report is my own original work and has not been submitted in any other university registration

Signed..... *Pennie* Date *20/8/2003*
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This report has been submitted with our approval as university supervisors

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ABSTRACT

The renewed interest in the concept of the psychological contract has come to the fore in attempts to describe, understand and predict the consequences of changes occurring in the employment relationship. If an employee thinks that their employer has failed to fulfill its commitments, a breach of the psychological contract has occurred. The catch is that these are not details normally laid out in the employment contract, but rather responsibilities the employee believes the employer should fulfill. What makes this type of contract exceptional is that it is unique to each individual. Recognizing that the psychological contract can be breached, the study set out to examine the content and state of the psychological contract held by Telkom Kenya employees and thereby determined that the current state of the contract influences the way that they perform in their jobs. The study also examined if there have been any changes in the contract and if there is any difference in the psychological contract held by the employees in the urban areas and those in the rural areas. The methodology of the study consisted of a survey conducted at Telkom Kenya, a parastatal directly responsible and accountable for providing telecommunication services in Kenya and between Kenya and the rest of the world. The data was collected using a questionnaire that was dropped and picked after sometime from the respondents. The key findings suggest that the majority of employees both in rural and urban stations have experienced contract breach which has thereby affected their performance. This view is also supported by managers, as representatives of the employer, who further indicate that the organization, given its external pressures, is not fulfilling its obligations to the employees to the extent that it could. Therefore employers need to take steps to understand employees perceptions of the content of the psychological contract and from this alter the terms of the contract where circumstances permit.

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CHAPTER ONE

INTRODUCTION

1.1 Background Information

For many decades, the analysis of the relationship between employers and employees has been a pre occupation of social scientists. The origins and development of the psychological contract can be traced to the works of Argyris (1960), who used the term 'psychological work contract' to describe the relationship as an implicit understanding between a group of employees and their foreman. Schein (1965) brought forward the notion that psychological contract implied that the individual had a variety of expectations of the organization and that the organization in return had expectations of him/her too. In 1980 he defined the psychological contract as an unwritten set of expectations operating at all times between every member of an organization and the various managers and others in that organization. Herriot and Perberton (1997) see it as the perceptions of both parties in the employment relationship. Guest and Conway (1999) talk about the relationship between the individual and the organization. These definitions highlight the mutuality of expectations between the two parties to the exchange relationship

With the implication of globalization, organizational restructuring and downsizing on the employment relations there has been a renewed interest in the concept of psychological contract. This interest has come to the fore in attempts to describe,

understand and predict the consequences of the changes occurring in the employment relationship. It has captured the attention of the academics, to re-examine the fundamental aspect of organizational life, the employee-employer relationship. More recently, this analytical tool has been used by Handy (1993), Herriot and Pemberton (1995), Sparrow (1996), Guest and Conway (1999) and many others to explain changes in the nature of employment within organizations in the world.

Many organizations in both private and public sector have become more preoccupied with issues on how to increase the added value of their employees. i.e. to encourage the employees to increase their productivity beyond that which is at minimum standard using scarce resources. Thorndikes 'law of effect' states that 'of several responses made to the same situation, those which are accompanied or closely followed by satisfaction will be more likely to occur but those followed by discomfort will be less likely to occur (Burns 1992). The psychological contract being perceptual, unwritten and hence not necessarily shared by the other party to the exchange means that, the two parties may hold different views on the content of the psychological contract and the degree to which each party has fulfilled the mutual obligation of the exchange may also differ.

It is therefore important to ascertain if the suggestions that what employers and employees offer and accept at work have affected the employee performance in any way. The study will be carried out at Telkom Kenya.

Telkom Kenya

Telkom Kenya, as it is called now was founded in early 20th century, to facilitate communication in the East African region under the name of East African Posts and Telecommunication Cooperation Limited. After the collapse of the East African community it became Kenya Posts and Telecommunication Corporation Limited (KPTC) wholly owned by the government of Kenya. KPTC provided services such as postal and telecommunication and operated under the Office of the President as a parastatal. It had several subsidiaries including Kenya College of Communication and Technology ((KCCT) and Gilgil Technical Institute (GTI) which have now become autonomous to its operations. Telkom Kenya was born in 1999 when Kenya posts and Telecommunication Corporation Limited decided to split its postal services and its communication services. It operates in most parts of the country, providing the telecommunication service to over fifteen million Kenyans everyday. Telkom Kenya has seventeen regions namely: Nairobi Central, Nairobi South, Mombasa, Malindi, Voi, North Rift, South Rift, Central Rift, Nyanza West, Nyanza South, Western, Mt Kenya West, Mt Kenya East, Southern, Eastern and Northern regions.

The employment at Telkom Kenya has grown considerably over the years since its inception. The Telkom Central Rift Region boasts of about 400 employees. Most of its employees are in technical department. Telkom is characterized by relatively well paying jobs particularly for the managerial positions. Good career prospects exist here especially for the young people entering the job market for the first

time. Although there has been a reduction in demand for some skills due to computerization of the organization, there are still a large number of earlier systems in operation, which require specialist maintenance skills and occasional modification. The demand for people experienced in the newer technology more than makes up for the reduced demand of the older technical skills, thus fuelling the skills shortage. Due to the recent competition from the mobile – phone service providers even the technical staff now have more customer contact than ever before. These changes have resulted in a wider range of people being attracted to this industry. Originality and innovative solutions, combined with a need for good communication skills and a customer-focused attitude to the job is prime and will see to the success of an organization.

Problem Statement

The Communication sector has been subject to a range of pressure over the last decade, which has arguably placed issues of organizational survival and affordability as the driving force behind the treatment of employees. This has been as a result of divestment of technology. A progressive tightening of financial regimes, the introduction of competitive market forces and a closer monitoring of organizational performance through the use of a battery of measures and targets have challenged the traditional features of employment in the public sector.

Coyle and Kessler, (1998) found that saliency, affected by the importance attached to employers' obligations might be important in explaining employees'

obligations and contract behavior. These findings suggest that the importance an employee attaches to transactional obligations (specific monetisable exchanges over a limited period of time) has some effect on their obligation to their employer and the degree to which they fulfill those obligations (i.e. contract behavior).

Over time it has become eminent that higher performance and motivation consequently exists where the employees' perception of the psychological contract are satisfactory. Hence, the level at which employees are motivated to perform will depend on the notion of reciprocity whereby employees reciprocate their employers depending upon how well they have been treated. Human resource practices in the management of the psychological contract have been reinforced by the fact that these practices are seen as communication that influences the psychological contract and employee commitment. Indeed, much of the information employees rely on to assess the extent to which their psychological contracts are fulfilled, comes from the human resource practices of the employer and vice versa.

Preliminary observations at Telkom Kenya, Nakuru branch indicate that employees' expectations about jobs differ considerably from employers' expectations about employees performing their jobs. This has led to low morale and increased absenteeism and lateness in the workplace which is an indication of employees being less productive on the job. This has occurred despite the recent re-organization of the company. Further more, many employees have complained

that there have been changes in the employer expectations about their performance over their period in service, changes that may not be in line with the employees. Could the psychological contract be the reason for the poor performance?

This study therefore seeks to establish a link between the psychological contract and the performance of the employee.

1.2 Objectives of the Study

1. To determine the effect of psychological contract on employee performance.
2. Analyze the changes that have taken place in psychological contract.
3. Determine the differences in the psychological contract held by the staff in the urban area and the rural area.

1.3 Hypothesis

1. The fulfillment of employees' psychological contract has got no relationship with the employees' performance.
2. There have been no significant changes in the employees' psychological contract since employment till now.
3. There is no significant difference in the psychological contract held by employees in the urban stations and those in the rural stations.

1.4 Justification of the study

Telkom Kenya, being one of the biggest employers in the country, and considering the changes and immense competition from the mobile phone service providers in the telecommunication industry in Kenya, it is appropriate to explore the existing psychological contracts, given the industries current and expected future significance. Telkom is a provider of a strategic service and the financial report of the year 2002 proves poor performance by the company despite its recent reorganization.

Technological advances means that new ways of working are continually evolving. In such an environment it may be expected that the psychological contract would be different from that of a more stable industry. It would also be reasonable to expect that the nature of the contract in the telecommunication industry would be more susceptible to change than in other industries. How this change affects the employees' performance is crucial to the success of an organization.

Importance of the study

1. Employers and all those dealing with the Human Resource: it is hoped that this study will give them an insight on the nature of the exchange relationship

between employees and employers thereby helping them refine the relationship that exists or otherwise.

2. Workers organizations and trade unions: Fulfillment or non fulfillment of the psychological contract can be used as a tool of bargain by this organization. It will shed light on those issues that the employees perceive to be important in their day to day operation in the organizations they work for.

3. Further research: This study is a useful first step and could lead to further and more comprehensive research of a larger sample in another sector.

The scope of the study

The study consisted of all Telkom Kenya employees in Central Rift Region. Using the information gathered from both the managerial and technical staff, the research has outlined and analyzed the nature of the psychological contract. It has also analyzed the nature of the contract as perceived by employees with different demographic and career profiles. Finally, it has mapped the nature of perceived changes in the psychological contract for the different groups and its effect on their performance. The study can be generalized to other regions of Telkom Kenya and organizations of similar structure as Telkom Kenya both within the telecommunication sector and in other sectors.

Definition of terms

Psychological contract:

It is a series of mutual expectations of which the parties to the relationship may not be dimly aware but which none the less govern their relationship to each other. They are responsibilities that employee believes the employer should fulfill and the employer expects the employee to fulfill on his / her part.

Employee performance:

It is when the employee works in the proper and intended way in an effort contribute towards achieving the organizations goals.

Perceived equity:

It is the degree to which the company is perceived as behaving equitably towards the workforce and the workforce behaving equitably towards the organization.

Transactional obligations:

Specific monetisable exchanges over a limited period of time. They include rapid advancement, high pay and merit pay (Robinson, 1994)

Reward:

It is a term used to encompass gains that an employee is given by an employer as a result of positive behavior in course of rendering service to the organization.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Much has been written about the psychological contract since Argyris first used the term in 1960 to describe the relationship and an implicit understanding between a group of employees and their foreman. Levinson (1962) viewed it as a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which none the less govern the relationship to each other. Building up on these definitions Schein (1980) said that the notion of a psychological contract implies that the individual has a variety of expectations of the organization and that the organization has a variety of expectations of him or her. Regardless of the perspective adopted, authors appear to agree that there are some specific characteristic features of the psychological contract.

First, the psychological contract is based on the concept of an exchange of benefits and rewards, (Hall Moss, 1998; Hallier and James, 1997; Makin et al, 1996; Rousseau, 1995; Stiles et al, 1997). In fact Rousseau (1995) defines the psychological contract as an individual's belief, shaped by the organization regarding terms of an exchange agreement between individual and their organization. So, the employer benefits from the employee's labor and cooperation while the employee is rewarded extrinsically and intrinsically. Rousseau (1995) asserts that mutuality is key for a psychological contract to provide acceptable incomes. She argues that it is only when both parties have

something to gain that they will work to ensure a successful result. In a balanced psychological contract both parties feel the exchange provides valued outcomes.

Each party in the psychological contract will also have a view of the obligations under the relationship (Kessler et al, 1998). For example, an individual may be prepared to work forty hours a week even though they know the organization expects them to work 45 hours a week. Thus a disparity may exist between perceived obligation and what is offered. An imbalance arises if one party feels there are an unacceptable number of disparities that favor the other parties.

Mullins (1999) lists a number of the common benefits and rewards expected by both participants in the psychological contract. Figure 1 shows a simplified psychological contract incorporating some of these elements and suggests possible relationships between them. As illustrated, there will be expectations expected by both parties and a number of common obligations such as the requirement to act lawfully. For the employer this may mean adherence to the provisions of the working time regulation, while for an employee it may include refraining from misappropriation of company assets.

Obligations of both parties

- ◆ Lawful
- ◆ 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 behavior
- ◆ Work diligently in pursuit
of organizational objectives
- ◆ Not betray positions of trust

Figure 1: Simplified Psychological Contract

Secondly, the contract is voluntarily entered into (Makin et al 1996; Rousseau, 1994). An employer does not have to offer a particular individual a job and an individual does not have to accept all the offers they receive. In reality, however, the degree to which choice exists depends on a number of factors such as the

economic climate and the availability of prospective employees with the required skills. It is important to note that in a psychological contract, individuals and organizations will always exist at opposite ends of the scale. Taking engineers as an example, potential employees are likely to have a high degree of choice when accepting or declining roles, as key skills are in short supply (Stam et al, 1999). Employers in the same industry however would perceive that they had much less choice because they are in competition with other employers for the limited pool of suitably qualified and experienced staff.

The third key feature is that at least part of the psychological contract will be implicit (Makin et al, 1996), resulting in a lack of clarity for both parties, (Schalk et al, 1998). Although each party has a clear and conscious view about the key elements of the exchange they expect (such as reward for achieving goals or the sense of obligation to work late to meet deadline), other elements will be sub conscience and therefore much harder to define (Makin et al, 1996; Schalk et al, 1998). The more explicit the contract, the greater the clarity. Management rhetoric will play an important part in clarifying expectations (Grant, 1999; Hallier and Butts, 1998; Stiles et al, 1997) if the rhetoric is consistent with company's objectives and policies there will be less room for ambiguity or misunderstanding (Grant 1999; Hallier et al, 1998).

Fourth, the contract is not static and can be affected by a wide range of factors (Hall et al, 1998; Hiltrop, 1996; Makin et al 1996; Rousseau, 1994). While authors

agree that the psychological contract is liable to change, there are varying perceptions with which the speed of that change occurs. An individual's psychological contract may be affected by various factors that are not necessarily directly related to their current employment. This could include situations such as finding out a colleague has been given such a generous bonus, receiving unexpected promotion, or even deciding to get married. Likewise, an employer's psychological contract may alter as a result of a variety of events such as an increase in bank interest rates or the discovery that an employee has misused the Internet. It is proposed that the rate of change will depend on the factor causing the change, the perceived level of importance attached to it, and the relational context in which it occurs.

Fifth, both parties attitudes will be affected by previous experiences, particularly any perceived breach; whether the breach occurred in a different relationship (such as with former employee/employer) is not as important as it is perceived to have happened. (Guest and Conway, 1999; Hall and Moss, 1998; Herriot and Permberton, 1997; Hiltrop, 1996; Schalk et al, 1998). For example an employee who felt they were routinely passed over for promotion by their previous company will be less patient with their new employer than another might be. These breaches will most notably affect the level of trust experienced by both parties; the extent of the impact will depend on the type of breach experienced, the numbers of breaches and when they occurred. A relatively minor breach, which occurred five years ago,

would arguably have a smaller impact on today's psychological contract than the fundamental breach (like redundancy) that happened a year ago.

Apart from the parties involved in the psychological contract who are obviously important, two other components also warrant attention: content and process (Makin et al, 1996). Content is the substantive element of the contract; the what being exchanged (for instance non statutory benefits, level of efforts) that may be open to negotiation. This content element may be tangible (such as payment received) or intangible (the notion of fair treatment). It may be argued that intangible elements are more important as they are subject and open to interpretation. Below are some eight common content elements. These are:

Benefits and rewards

Lifestyle

Job Security

Challenge

Working conditions

Fair treatment

Development opportunities

Working hours

Process, on the other hand, is the procedural element, the how of the contract. Any of the organizational processes have an impact on the individual and may be part

of their psychological contract. Some of the elements of the psychological contract include holiday booking, overtime pay, grievance, fair treatment, discipline, appraisal, communication, training needs and assessment. Achieving a balance in defining these processual elements can be difficult, as the organization will need to consider operational requirements, legal obligations and employee views.

A number of factors can be part of both the process and the content of the psychological contract. Communication is one such factor, the what being transmitted is the content element, but how the information is transmitted is equally important. Content and process will each influence the overall nature of the psychological contract (Makin et al, 1996) Organizations should not underestimate the importance of either element; an employer may offer a generous annual leave entitlement, but if the procedure for agreeing time off is arduous and time consuming, the employee will be skeptical about the organizations motives.

Although there may have been a number of structural changes in the past twenty-five years, gender is still seen as an important factor both by individuals and society in general. Organizations still seem to perceive women as less committed than men, particularly if they are of child bearing age and in a stable heterosexual relationship. Singh and Vinnicombe's research (2000) shows that women are as committed as men but in less obvious, more team-oriented ways. According to Marvin (2000) most career development frameworks do not take into account

women's differing career experiences and expectations. Women may therefore feel their psychological contract is unfair, as it does not cater for their specific needs and aspirations. Market sector still plays a significant role in how gender is viewed. For example nurses are traditionally expected to be female while surgeons are typically male.

There is broad agreement that the psychological contract has undergone substantial change during the last five years (Hendry and Jenkins, 1997; Kessler and Shapiro, 1996; Rousseau, 1995; Wills, 1997) Perberton outlined a model of psychological contract that existed until the 1980s. According to him the individual offered loyalty, an in-depth knowledge of the organization, accepted the bureaucratic system that defined an individual's rate of progress and was willing to go beyond the call of duty when required. In return he / she expected job security, regular pay increases, recognition of length of service and recognition of experience. The organization expected loyalty, staff with deep understanding of how the business functioned, willingness to build a career slowly through a defined system and individuals who would put the organizations needs before any outside interests. The organization offered job security, regular pay increases based on length of service, status and rewards based on length of service and respect for experience.

During the 1980s, organizations moved towards a new psychological contract; the emphasis shifted from length of service and job security to performance based

rewards and a more short term or transactional employment relationship. Sparrows (1996) interpretation of this new contract is outlined in table 1

Table 1: Sparrows new Psychological Contract

Source: Sparrow (1996)

Change vs. stability	Continuous change
Culture	Performance based reward
Development	Employees responsible for self development and increasing their employability. Emphasis on development of competences and development
Rewards	Paid on contribution
Promotion criterion	Performance
Promotion prospects	Less chance of promotion due to essentially flat organizational structures focus on sideways moves to develop a broader range of skills
Relationship type	Transactional rather than relational: no job security guarantees
Responsibility	Accountability and innovation encouraged
Status	Fewer outward symbols
Trust	No longer seen as essential. Emphasis on engendering commitment to current project or team

These changes occurred against a background of economic hardship; redundancies were wide spread, unemployment increasing and government focused on reducing trade union power. In this kind of situation the outcome is a more vulnerable and wary workforce. The economic climate has forced companies to examine cost reduction as a means of sustaining or increasing profits. Human resource policies are cost effective rather than paternalistic. Staff are increasingly seen as resources-useful for specific roles and either adoptable or replaceable when their role ended.

It is in this light that human relations managers assume that a satisfied employee will be productive and they look for ways to keep him happy. Whatever is offered by the employer, as incentive must match up to the recipient's expectations. Therefore managers should evaluate their position on the issue of the psychological contract. This is especially because psychological contract being perceptual, means that both parties in the exchange hold different perceptions on the content of the contract (Lucero and Allen, 1994; Morrison and Robinson, 1997; Rousseau, 1995). Further more, the creation of a psychological contract may result from implicit means relying on an individuals interpretation of actions and events within an organization. Thus, two employees hired at the same time into the same position may develop idiosyncratic interpretations of the psychological contract.

According to Robinson (1996) the focus on perceived obligation is distinct from expectations. However Guest (1998) signals a caution that expectations and obligations may not be conceptually distinct with blurred demarcations between the two concepts: where expectations end and obligations begin in the minds of employees. The importance of distinguishing between the two concepts lies in their consequences whereby, in theory, violations of obligations should (if there is a clear difference) produce a more intense and organizationally detrimental response than unmet expectations. Robinson (1996) provides empirical support for the argument that contract violation will produce unmet expectations but unmet expectations alone do not reflect the totality of the effects of contract violation. Therefore it may be necessary to account for the effects of expectations prior to assessing whether obligations have further predictive power.

Research on the psychological contract has borrowed MacNeils (1985) typology of contracts as a way of categorizing psychological contracts. Transactional contracts refer to specific monetisable exchanges over a limited period of time. In operationalizing transactional obligations in the context of the psychological contract, the following have been included: rapid advancement, high pay and merit pay (Robinson et al., 1994). Relational obligations, in contrast include long term job security, career development and support with personal problems (Robinson et al, 1994). Empirically the distinction between transactional and relational obligation is used to combine items in creating the scales that characterize the broad content of the psychological contract. However as Arnold (1996) notes, the

empirical support for such distinction is not so clear cut. He illustrates this point with the aspect of training which loads with transactional items in one sample (Rousseau, 1990) and with relational items in another (Robinson et al, 1994). To avoid this problem some researchers use individual items rather than creating scales (Porter et al., 1998); others use obligations as a general categorization rather than specifying each individual obligation.

It is possible that psychological contracts for a significant number of employees may concurrently contain transactional and relational elements that may not be mutually exclusive. Clearly, most employees would believe that an obligation exists on the part of the employer regarding some element of pay. If one accepts that the psychological contract for those employees in paid work would involve a pay component, then the transactional element may be a common element to most psychological contracts. However it may be worth retaining the distinctiveness of relational obligations as indeed this may vary across employees who have occasional or zero hours contracts, who may not perceive any commitment from the employer to provide job security or career prospects. Further more, this distinction may be useful in understanding how an individual views their relationship with their employer.

2.2 Conceptual Framework

A driving concern behind the interest in the psychological contract is its consequences on the attitudes and behavior of organizational members. As organizations cope with an accelerated pace of change by downsizing, outsourcing and embarking upon various efficiency drives, the reported effect has been the demise of the old and the emergence of a new psychological contract as the basis for employer-employee exchange relationship (Rousseau,1995; Sims,1994; Sparrow,1996). In the process, organizations are faced with the challenge of renegotiating and managing the transition from one exchange basis to another as they become unable or unwilling to continue to provide employees the same inducements. These changes make it less clear what these two parties owe each other as part of the relationship and also the changes have the potential to be interpreted by the employees as the employer renegeing on their side of the exchange process. Research from the USA on MBA graduates concludes that psychological contracts are frequently violated by employers (Robinson and Rousseau, 1994) with more recent speculation that employees experiencing violations will increase (Morrison and Robinson, 1997) and that the consequences are dangerous enough to require remedial action from organizations (Herriot et al, 1997). Clearly, the state of the psychological contract in terms of fulfillment or breach is of interest to the extent that the theoretical predictions hold true; organizationally desired outcomes (which include optimum job performance) will result from contract fulfillment by the employer whereas contract breached by the employer is likely to lead to negative responses, with some evidence reporting

incidents of retaliatory behavior in the form of theft and sabotage (Bies and Tripp, 1995; Greenberg, 1990).

Previous empirical work has demonstrated a relationship between employer contract behavior and outcomes of job satisfaction and organizational commitment (Guest et al., 1996; Robinson and Rousseau, 1994), organizational citizenship behavior (Robinson and Morrison, 1995), and employee contract behavior (Coyle-Shapiro and Kessler, 1998). None of the empirical studies have examined the relationship between the contract behavior and employee performance. This outcome may be of particular relevance in view of its basis in social exchange theory and also in terms of its consequences on employee attitudes and behavior.

The concept of social exchange has been put forward as an explanatory mechanism where by employees seek to reduce indebtedness through reciprocation efforts directed to the source of the benefits (Greenberg, 1990; McNeely and Meglino, 1994). However, what is less clear is when or in what form the beneficial action will be reciprocated (Wayne, 1997). Social exchange has been operationalised as a global exchange between employees and the organization; the concept of perceived organizational support and was developed by Eisenberger et al (1990). And is described as a general perception concerning the extent to which the organization values employees' general contributions and cares for their well being (Eisenberger et al., 1990). Therefore the crux of the argument is that high

levels of perceived organization meeting its end of the contract would generate an obligation on employees to reciprocate the donor of this benefit; one act of reciprocation would take the form of enhanced commitment and better performance on the job to the source of the benefit.

Recently research has established a positive link between Human Resource practices (training, developmental experiences and promotion), procedural justice and perceived organizational support (Fasolo,1995;Wayne et al,1997).Drawing on this argument, the fulfillment of obligations or promises to employees would reflect the extent to which the employer values the relationship. Thus the actions taken by the employer may be interpreted as the employers' commitment to the employee. At a basic level, fulfilling ones obligations may be a precondition to the relationship being seen to be valued. Therefore we argue that the specific actions of the employer will influence the employees' global perception of his / her value to the organization and in turn influence the way they perform at work.

The prediction from the psychological contract literature is that fulfillment of employer obligations will be reciprocated by employees' commitment to the organization. As a form of attitudinal reciprocation, one would expect greater contract fulfillment to positively affect employees' performance.

In this light it is not surprising that psychological contract are violated increasingly. Hendry and Jenkins (1997) observed that the erosion of stable

careers was likely to feed a wider sense of a rupture in the more generalized social contract. Pate and Malone (2000) commented that a climate of organizational change results in breaches of the psychological contract becoming relatively common. Breaches can erode an employment relationship, in particular damaging trust and job satisfaction. The employees may fail to perform, as they are required by the organization. Such individuals who have experienced psychological contract breaches are more likely to leave an organization than those who have not. In addition, the perceived victims may re assess their broader contract, focusing on transactional elements such as pay and tangible benefits.

Makin et al, (1996). Rousseau (1995) identifies three types of contract violation:

1. **Inadvertent**, the result of divergent interpretations which were made in good faith.
2. **Disruption**, where either or both of the parties are willing to comply with the contract but is unable to.
3. **Reneging**, Either or both of the parties are able but unwilling to comply.

It is important to note that the type of contract violation affects how the individual (and the organization) react to it; if the infringement is the result of an inadvertent misunderstanding the parties would be less injured than if one party blatantly reneged. Employers attitude to employee breaches tend to be readily assessable: disciplinary codes indicate what constitute unacceptable performance and behavior. Employees' attitudes are harder to define and like so much of the psychological

contract, will vary depending on the circumstances. In order to understand the potential reasons for the employers or employees behavior it is important to examine the degree of mutuality that exists between the two parties.

Figure 2 illustrates the way in which employees expectations can be influenced by employer's expectations and the way employers expectations influence employees expectation which in turn influences the outcome of both the employees and employers performance depending on whether the expectations have been fulfilled or have been violated.

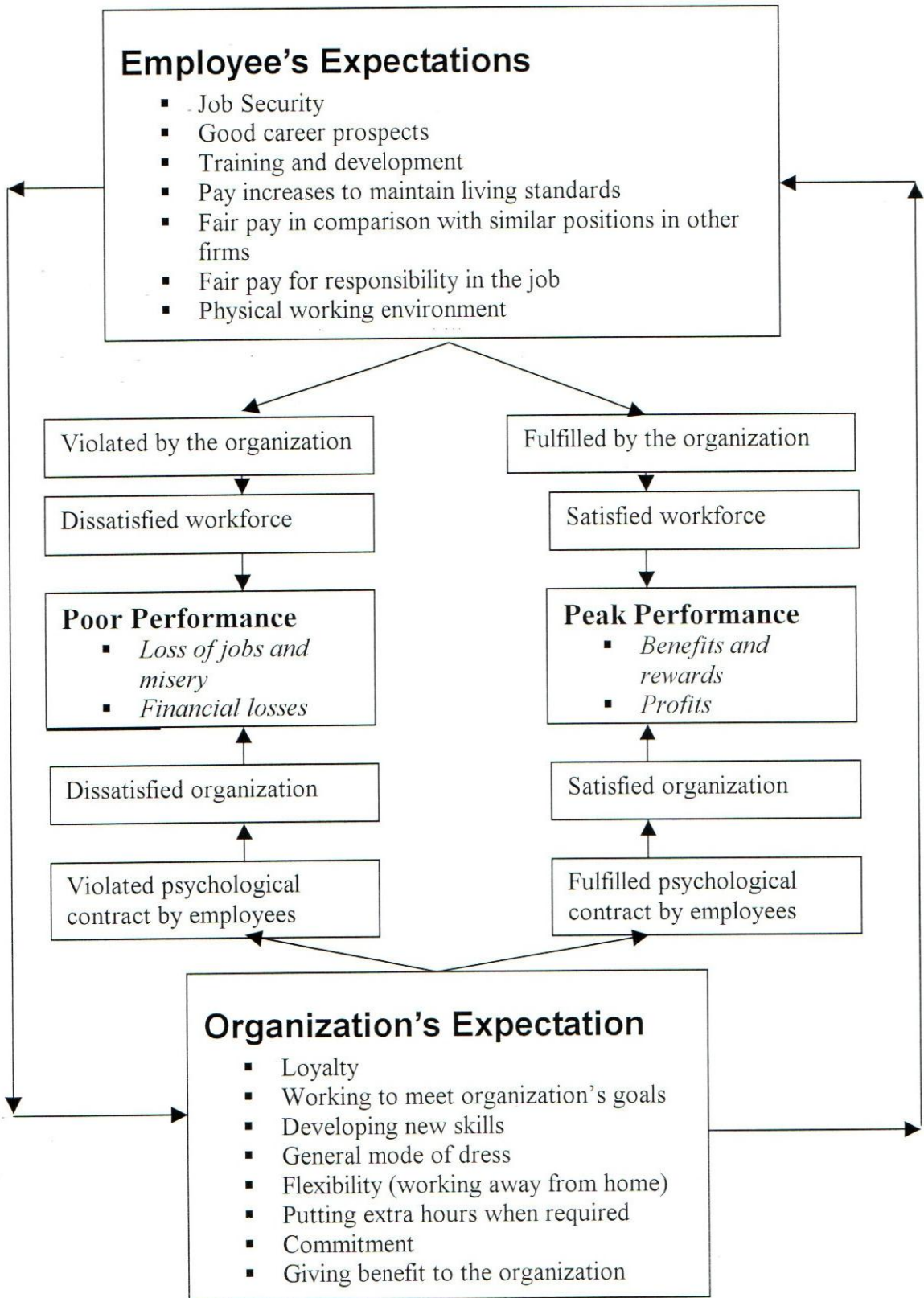


Figure 2 : Conceptual Framework of Psychological Contract

A basic premise of the psychological contract is on the notion of reciprocity whereby employees reciprocate their employers' contingent upon how well they have been treated. Consequently the employees will target their reciprocation towards the source of their fulfilled or unfulfilled obligation; that is the employer.

Figure 2 clearly shows that there is a cause and effect relationship. When an employee perceives that one of his or her expectations has not been fulfilled thus, the organization has violated the contract they become dissatisfied and lack the morale to give their best as far as their performance on the job is concerned. Due to the poor performance the organization is also dissatisfied with the employees performance because they have violated the contract by not meeting the organizations expectations of them. For instance if the company does not have a good policy governing training and development of their employees, say the employees get inadequate training, they will be very unlikely to develop new skills which in turn will affect the way they perform in their job thereby affecting the overall organizations performance. If the organizations expectations are met by the employee for instance, that employees put in extra hours when the organization requires them to, the employees fulfill their part of the contract and the organization is equally satisfied. This influences the performance of the organization to increased profit and can reward the employees for their effort. The organization can afford to pay them fairly in comparison to other employees in similar positions in other organizations of similar structure making the employees satisfied and motivated to perform even better.

CHAPTER 3

RESEARCH METHODOLOGY

This looks at the population of the study, the respondent, and the data collection instruments that were used in the study.

3.1 The study design.

The design the study adopted was survey. This method is appropriate for collecting both descriptive and exploratory data. Again the population of Telkom is relatively large therefore the study involved the selection of a sample.

3.2 Location

The target groups of this study included all employees of Telkom at both managerial and technical level. To capture both rural and urban settings Nakuru was taken to represent the urban while Naivasha represented the rural stations. For the purpose of this study any employee who is not in the managerial position was assumed to be in the technical level. Data was collected using a pre-tested questionnaire.

3.3 Population

The population of interest in this study consisted of all employees of Telkom Kenya, Nakuru and Naivasha offices, operating in a wide variety of roles at both the managerial and technical positions. The management level employees included all managers in the various departments. Telkom Kenya Central Rift region under which this offices fall has a population of about 400 employees.

3.4 Sampling Design and Procedure

Because of the large size of population multistage sampling was used to get the sub sample. Telkom Kenya is divided into seventeen regions. The sample was narrowed down to one region namely the central rift region. Because of the convenience of location, the study sample was the employees of Telkom Central Rift Region in the Nakuru and Naivasha offices.

Stratified sampling was used to obtain respondents from two strata so that each stratum – management and technical staff were taken into account. The study adopted this kind of sampling because if it used the simple random sampling for instance it could have resulted in some members of the population being significantly under or over represented. Stratified sampling overcame this as each identifiable strata of the population was taken into account. A total of 100

respondents were selected from the two groups, proportionally as to capture the different demographic characteristics and career history.

3.5 Data collection

3.5.1 Data collection instrument.

The data collection instrument was divided into four sections. The first section of the questionnaire consisted of data about the respondent as to capture the demographic data. Section B on the other hand focused on obtaining data on the main objective of this study. An itemized rating scale; Likert 5- point scale was used for this purpose. The respondents were asked to rate their expectations and those of the organizations along a scale from 'very important' to 'not important'. The list of employer and employee expectations was taken from Rousseau (1990) and extended to include additional obligations for instance career progression and up to date training.

The respondent were then required to indicate the degree to which the employer had fulfilled its obligation along a scale from 'not at all' to 'very well fulfilled'. This method of measurement has been adopted in a number of studies (Robinson and Morrison, 1995; Robinson and Rosseau, 1994). In each case the respondent was asked to select one of a finite number or ordered categories. It would separately measure expectations and the degree to which they are fulfilled.

Robinson (1996) in adopting this approach argues that it measures both perceived breach and fulfillment along items of the psychological contract. From the two questions, if an item was perceived to be of high importance (score of 5) and was poorly fulfilled by the organization (score of 1) it resulted in low contract fulfillment (score of 4). The more positive the score, the lower the contract fulfillment. Conversely, the more negative the score, the greater the over fulfillment of the psychological contract. (- 4 indicated that an item was not perceived important but had been well fulfilled by the employer). Subsequently, respondents were asked to rate their supervisors performance on a rating scale and indicate the extent to which the factors identified in the list of expectations influenced the way they performed their job along a scale from 'to a great extent' to 'not at all'. This was then compared to the degree of fulfillment from the above analysis to see if the results were in line with the first hypothesis.

Section C was filled by supervisors and managers' only. It focused on measuring the degree to which employees had fulfilled their obligations to the organization and also measure the level of performance of the employees working under the manager.

Section D focused on the second objective of the study; determining the degree of changes that had occurred regarding the psychological contract. This section also consisted of opinionated questions where the respondent were required to give

their opinion on what factors they attributed to change and how they felt that the psychological contract influenced the employees' performance.

3.5.2 Data collection procedure

A pilot study was done to test the validity and reliability of the instrument. The data was collected in a period of about three weeks because of time constraints. The pertinent data was collected using a questionnaire. The researcher used drop and pick technique. This encouraged higher response levels as respondents filled the questionnaire at their own convenience and also allowed for follow up to avoid delays.

3.6 Data analysis and presentation

The data analysis was guided by the objectives of the study. The data from the completed questionnaires was summarized in form of frequency tables and percentages. Attitude index was also calculated by subtracting from each attitude factor, the percentage of the respondents who found the factor important (score 4 and 5) from the percentage of those who found the factor unimportant (score 1 and 2). The neutral score 3 was ignored. A positive attitude was taken as indication of high importance while a negative score was an indication of the factor being unimportant.

The numerical data collected was analyzed using the statistical package for social science (SPSS) Programme. For each of the areas the study reviewed, the aim was to ascertain whether individual groups held views that were substantially different from each other and / or from the overall totals. The data was examined from a current perspective and with reference to individuals' priorities and perceptions of the psychological contract.

The first hypothesis was tested using Pearson's correlation to determine the strength of the relationship then a t test was done. The second and third hypotheses were analyzed using the T test statistic to determine the level of significance.

The results of the analysis were used to develop recommendations and make adequate conclusions of the study based on the specific aims of the research.

CHAPTER 4

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The data analysis was guided by the objectives of the study. Out of the sample size of 100, only 59 questionnaires were filled and returned in good time for data analysis to be carried out. Time was the limiting factor. The respondent rate was 59 % of the sample anticipated.

The data from the completed questionnaires has been summarized and presented in form of tables and percentages while regression was used to test the first hypothesis. The second and third hypotheses were tested using the T- test.

4.2 Sample demographic

The tables below represents the demographic characteristics of the respondents, which include the gender of the respondents, the age, marital status, role in organization, length of service in the organization and cross-tabulation of data of respondents on various categories.

From the sample of fifty six respondents 28 are female and 31 are male. Out of the 28 females only 35% are in the management in comparison to the 9 males. In the first stage of the study a cross tabulation of the bio data characteristics of the respondents was carried out to enable comparison. The cross tabulation revealed that there was no systematic bias on selection of the respondents.

4.2.2 Age and role in organization

The table below represents a cross tabulation of data between the employees age and their role in the organization.

TABLE 2

Age and role in organization

AGE	ROLE IN ORGANIZATION		TOTAL
	MANAGERIAL	TECHNICAL	
0 – 30	0	4	4
31 – 40	9	32	41
41 – 50	4	7	11
50 and Over	1	2	3
TOTAL	14	45	59

Source: Field data

From the sample the respondents aged below 30 are all in the technical and represent 7% of the sample. Most managers are aged between 31 and 40. This age bracket also captures the highest number of technicians representing 69% of the sample. The technical staff represents 76% of the sample while managerial staff are only 14.

4.2.3 Years of service at Telkom Kenya

The table below represents the years of service employees have served at Telkom Kenya

TABLE 3

Years of service	Number of respondents	Percentage
Less than 10 years	8	14%
10 – 20 years	40	68%
20 years or more	11	18%
Total	59	100%

Source: field data

The respondents who have worked for Telkom for less than 10 years represent 14% of the sample while 68% have been working for the company for between 10-20 years while only 18% have worked for more than 20 years.

4.2.4 Length of service in present position

The following table indicates the length of service an employee has attained in his or her present position.

TABLE 4

Length of service at present position

YEARS	Number of respondents	Percentage
Less than 2	3	5%
2 to 5	5	8%
5 to 10	30	51%
10 or more	21	36%
TOTAL	59	100%

Source: Field data

The data shows that only 5% have been in their present position for less than 2 years, 8% of the respondents have been in their present positions for between 2 and 5 years while the majority have been serving in their present capacity for between 5 and 10 years. Only 35% have been in their present positions for over 10 years.

4.3 The nature of the psychological contract

The nature of this study is that it sought to get the opinions of the employees on the degree of importance to some factors that comprise the psychological contract, the degree to which they have been fulfilled and the extent to which this factors influenced the employees performance.

The attitude index was calculated by subtracting from each attitude factor, the percentage of the respondents who found the factor important (score 4 and 5) from the percentage of those who found the factor unimportant (score 1 and 2). The neutral score 3 was ignored. (Rariera 2001). A positive attitude was taken as indication of high importance while a negative score was an indication of the factor being unimportant.

4.3.1 The degree of importance of the psychological contract

The study sought to determine the degree of importance of the factors that comprise the psychological contract

TABLE 5**Level of importance of the psychological contract**

	<u>Level of importance of the psychological contract</u>					AI %
	5	4	3	2	1	
job security	0.71	0.17	0.05	0.07	0.00	81.03
good career prospects	0.36	0.59	0.05	0.00	0.00	94.83
training and development	0.40	0.40	0.09	0.09	0.03	67.24
pay increases	0.52	0.24	0.19	0.03	0.02	70.69
fair pay	0.29	0.59	0.03	0.09	0.00	79.31
working environment	0.33	0.34	0.22	0.07	0.03	56.90
support to learn skills	0.29	0.50	0.10	0.10	0.00	68.97
responsibility on job	0.45	0.34	0.07	0.10	0.03	65.52
rewards	0.34	0.31	0.12	0.17	0.05	43.10
loyalty	0.41	0.40	0.12	0.07	0.00	74.14
meeting company's goals	0.36	0.48	0.10	0.05	0.00	79.31
Develop skill	0.28	0.36	0.26	0.03	0.07	53.45
dress	0.26	0.43	0.14	0.12	0.05	51.72
flexibility	0.34	0.41	0.07	0.10	0.07	58.62
extra hours	0.24	0.36	0.16	0.14	0.10	36.21
commitment	0.34	0.43	0.12	0.10	0.00	67.24
benefiting company	0.40	0.52	0.03	0.03	0.02	86.21
benefiting customer	0.50	0.40	0.07	0.02	0.02	86.21

Source: Field data

KEY

- 5 Very important
 - 4 Slightly important
 - 3 Indifferent
 - 2 Slightly unimportant
 - 1 Not important
- AI Attitude Index

From the sample of the respondents 87% of them were of the opinion that good career prospects was the most important factor rating it at 94.8%. The next most valued factor was job security at 81%. Support to learn new skills was rated at 69% while good working environment was rated at 56%. The organizational expectations showed that giving the company benefit and giving the customer benefit both having scored 86.2% were most important. Loyalty was rated at 74% while development of skill rated 53%. Commitment to the organization was rated at 67% meeting the company's goals was at 79%. The least important was giving extra hours to the organization when required at 36.2%. Rewards was also a poor scorer at 43%

4.3.2 The level of fulfillment of the psychological contract

The Table 6 shows the percentage score to which the psychological contract has been fulfilled by both the employee and the employer.

TABLE 6**Level of fulfillment of the psychological contract**

	Level of fulfillment of psychological contract					
	5	4	3	2	1	AI(%)
job security	0.28	0.29	0.09	0.21	0.14	22.41
good career prospects	0.14	0.24	0.03	0.33	0.26	-20.69
training and development	0.34	0.19	0.12	0.22	0.12	18.97
pay increases	0.10	0.45	0.12	0.24	0.09	22.41
fair pay	0.16	0.31	0.16	0.29	0.09	8.62
working environment	0.21	0.45	0.10	0.21	0.03	41.38
support to learn skills	0.02	0.26	0.16	0.38	0.19	-29.31
responsibility on job	0.17	0.16	0.09	0.33	0.26	-25.86
rewards	0.28	0.26	0.22	0.16	0.09	29.31
loyalty	0.31	0.16	0.05	0.24	0.24	-1.72
Meeting company's goals	0.00	0.36	0.02	0.55	0.07	-25.86
Development of skill	0.24	0.14	0.09	0.26	0.28	-15.52
dress	0.38	0.36	0.10	0.09	0.07	58.62
flexibility	0.12	0.09	0.14	0.41	0.24	-44.83
extra hours	0.17	0.24	0.43	0.07	0.09	25.86
commitment	0.21	0.12	0.12	0.38	0.17	-22.41
benefiting company	0.10	0.22	0.17	0.33	0.17	-17.24
benefiting customer	0.33	0.19	0.19	0.21	0.09	22.41

Source: Field Data

KEYS

5 - Very well

4 - Fairly well

3 - Not obliged to fulfill

2 - Poorly fulfilled

1 - Not at all

AI – Attitude index

Table 6 shows the opinion of the employee and employer on the level to which the psychological contract has been fulfilled by the two parties. Physical working environment was the best fulfilled at 41%. Good career prospects had not been fulfilled and was rated at -20%. Training and development was rated at 18% fulfillment while flexibility in the job was at -44%. Job security and pay to maintain standard of living were fulfilled at 22%. Support to learn new skills was poorly fulfilled at -29%. Rewards had been fulfilled at 29% while the most fulfilled was general standard of dress 58.6%. Putting extra hours when required had been fulfilled at 25.8% by the employee.

4.3.3 Level of influence of the psychological contract on employee performance

The Table 7 indicates the level at which the psychological contract influences the employees performance.

TABLE 7**Level of influence of the psychological contract on employee performance**

	<u>Extent to which psychological contract influence performance</u>					AI (%)
	5	4	3	2	1	
job security	0.38	0.40	0.10	0.07	0.05	65.52
good career prospects	0.29	0.33	0.16	0.14	0.09	39.66
training and development	0.43	0.38	0.03	0.10	0.05	65.52
pay increases	0.57	0.38	0.00	0.05	0.00	89.66
fair pay	0.26	0.28	0.07	0.21	0.19	13.79
working environment	0.34	0.26	0.21	0.17	0.02	41.38
support to learn skills	0.26	0.33	0.16	0.14	0.12	32.76
responsibility on job	0.24	0.29	0.19	0.21	0.07	25.86
rewards	0.10	0.19	0.22	0.33	0.16	-18.97

Source: Field data

KEYS

5 – To a great extent

4 – Considerable extent

3 – Not sure

2 – A little

1 – Not at all

AI – Attitude Index

Pay increases influenced performance the most at 89.6% and is closely followed by job security at 65 %. Rewards least influenced performance at -18.9% which is interpreted to be no influence at all.

Up to date training and development influenced performance at 65%. Physical working environment influenced performance at 41%. Support to learn new skills influenced performance at 32.7%. This shows a contract breach which can be attributed to the poor performance by the employees. Despite these some factors had been fulfilled but did not influence performance positively, for instance rewards was important at 43.1% was fulfilled at 29% but influenced performance at -18%. The respondents were of the opinion that good career prospects had influenced performance at 39.6% while responsibility on the job influenced performance at 25.86%

Subsequently, respondents were asked to rate their supervisors performance on a rating scale. 67% of the respondents rated their supervisors as performing between 41 and 60 on a scale of 0 to 100 while the other 33% indicated them performing between 61 and 80 on the same scale.

4.4 The degree of change

The study sought to determine the level of changes in importance that had occurred on the psychological contract. Here the percentage score was determined for both the employees and the employers expectations of the current and the old psychological contract.

TABLE 8

Degree of change of importance of the psychological contract

Employees expectations	Now	When began to work for company
Job security	100%	94%
Good career prospects	82.8%	89%
Training and development	82.8%	86%
Pay increases to maintain standard of living	77%	71%
Fair pay in comparison with other employees in other companies	71%	74%
Physical working environment	74%	69%
Support to learn new skills	85%	66%
Fair pay for responsibility on job	68%	89%
Rewards	45%	89%

Source: Field Data

Table 8 reveals that there have been changes in the employee expectations. The percentage degree of change of job security is 6% while that of training and development is 6.2%. Fair pay in comparison with employees in other companies in the same position showed a change of 3% while support to learn new skills had 19% change.

TABLE 9

Degree of change of importance of organizations expectations

Organizations expectations	now	When began working
Loyalty	91%	100%
Working to meet company goals	91%	94%
Developing new skills	89%	77%
General standard of dress	74%	71%
Flexibility	74%	80%
Putting extra hours when required	66%	83%
Commitment	65%	94%
Giving benefit to company	80%	91%
Giving benefit to customer	83%	91%

Source: Field data

Loyalty showed a change of 9% while working to meet company goals was at 3% change. Developing new skills had an increased change of 12% while importance in commitment had decreased by 29%. Putting extra hours when required had a change of 17% while giving benefit to company was at 11% decrease.

It was expected that the factors analyzed show a noticeable difference over time. It was again felt that this difference might be overstated as the 'telescope or nostalgia effects' may have overly affected perceptions of when first employed.

Analysis of the aggregate data showed that rewards had experienced the greatest change with a decrease of -44% in its perceived importance. Support to learn new skills had also increased in level of importance by 19%. Others include physical working environment and pay to maintain standards of living which had increased by 5% and 6% respectively.

Discussion

In examining the perceived degree of contract fulfillment or breach overall there is a strong sense of perceived breach. The employer has fallen short of delivering the obligations as have the employees leading to a breach of contract by both parties. The study revealed that the employer had failed to fulfill some very important components of the psychological contract which had a great influence on performance. For example pay increases was a very important factor to employees at 70%, influenced performance at 89.6 % but had been fulfilled at 22%. Up to date training and development was fulfilled at 18.9% though it influenced performance at 65%. Physical working environment was important at 56%, fulfilled at 41% while it influenced performance at 41%. Support to learn new skills was fulfilled at -29% though its level of importance was at 68.9% and

influenced performance at 32.7%. This shows a contract breach which can be attributed to the poor performance by the employees. Despite these some factors had been fulfilled but did not influence performance positively, for instance rewards was important at 43.1% was fulfilled at 29% but influenced performance at -18%.

One would expect that individuals would view their reward as significantly more important than giving benefit to the company. This suggested difference could give rise to a strong negative correlation between the two factors, implying a score between -0.50 and -1.00. The aggregate results demonstrate that working to meet company goals was perceived to be more important than rewards. Although despite them having the same score when one began working, it became more important for the employee to give benefit to the customer than to the company. This is probably because in large organizations it becomes harder to do something that registers on the corporate radar screen.

Hypothesis 1 was tested using t test and the calculated t-test result was 2.133. The critical t value at 95% confidence interval was 2.000. Since the calculated t value was greater than the critical t value, the null hypothesis was rejected and conclusions made that there is relationship between fulfillment of the psychological contract and employees performance.

Sparrows' model of the new psychological contract (1996) highlighted the move away from relational contracts to transactional ones. This view is upheld in the results of the research project. All the factors of the psychological contract have displayed some change mostly in the decrease of importance except for items like job security which has increased to maximum in comparison to when they first started employment. No significant change was noted for employees who have served the company for less than 10 years.

Loyalty to the company and commitment to the company have also shown a great decrease. It only increased value for three groups: Managers, less than 10 years in company, and 20 or more years of service in the organization. For the other group who are the majority employees it decreased. The female score for commitment also declined suggesting a potential decline in the importance of these individuals' attached to their work. More research is needed to examine the underlying reason for this.

While all the factors examined changed to some extent, the scale of the changes varied widely. Support to learn new skills experienced the largest positive change with an increase of 19% while fair pay for responsibility in the job decreased in importance by 21% while rewards attracted the largest decrease in importance.

The second objective of the study was analyzing the changes that had taken place in the psychological contract. Percentage changes were determined and a t-test

was done to test the hypothesis. A two tailed test of the paired type revealed a calculated value of 2.876. The critical t value at 95% confidence level was 2.000. Since the calculated value was greater than the critical t value, the null hypothesis was rejected and conclusions made that there has been a significant change in the psychological contract since employment till now.

Despite the positive change, the employees cited the following as contributing to the change: that the communication between the management and the subordinates was very poor and that there was autocratic type of leadership. Another major reason was that of the economic situation in the country. Others blamed it on the lack of motivation in the workforce, lack of proper facilities and materials to perform, misplaced skills, poor co-ordination between the executives and the subordinates and lack of proper guidelines and policies.

On what should be done to make the employers expectations understood it was suggested that the employer lay down their expectations from the employee and hold constant meetings and seminars with all their employees to emphasize on the same as to create awareness. In brief they want increased interaction between managers and subordinates. Communication and an understanding should be put in practice. Resources towards this effort should also be allocated.

The most popular opinion about what way they would use their expectations to enhance their performance was to increase their commitment to the organization thereby give the organization support in all its undertakings. Others suggested setting targets and aiming to achieve them. Most employees (88%) said they set to know of the employers expectations through the mission statement of the company. The rest learnt through their immediate supervisor. Only 1% were not clear about their employers' expectation which in my opinion is a good sign.

The third hypothesis stated that there was no significant difference in the psychological contract held by employees in the urban stations and those in the rural stations. This hypothesis was tested using the t test statistic. The calculated t value was 0.947 with 25 degrees of freedom. Since the critical t value at 95% confidence level is 2.060 the calculated value is less than the critical t value therefore we fail to reject the null hypothesis.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

In this chapter the findings of the study are summarized in relation to the objectives of the study. Also included are recommendations made from the study and suggestions for further research.

The psychological contract of the research sample proved to be highly measurable; individuals had a strong sense of their own priorities and appeared to be clear about the demands and expectations of their employer. The findings suggest that the majority of the employees are experiencing a contract breach. Further more managers responding as representatives of the employer broadly support this. The extent of perceived employer contract fulfillment has a significant effect on employee performance.

Although managers are more positive of their assessment of the employers' fulfillment of their obligations, a significant discrepancy exists between what the employer is providing and, what it owes and what it could be providing given its operating constraints.

From the managerial perspective, Telkom Kenya has not fulfilled its obligation to the employee to the extent that it could. This suggests that there is scope on the

employers' part to improve the delivery of their part of the exchange. Managers may feel that organization-wide policies and practices may be constraining their autonomy and discretion in terms of the degree that they, as individual managers, can fulfill obligations to employees. While managers are contract makers, they may be constrained by internal forces in terms of operations of current organizational practices.

This study sought to shed some light on performance as affected by the psychological contract. In the first stage of the study a cross tabulation of the bio data characteristics of the respondents was carried out to enable comparison. The cross tabulation revealed that there was no systematic bias on selection of the respondents.

To gain a further insight on the data, Chi square test was done to find out if there was any significant relationship. The various chi tests revealed that there was significant relationships between the various bio data characteristics and the psychological contract, for instance a cross tabulation between gender of the respondents and psychological contract revealed a chi square of 0.552 at one degree of freedom. In particular the findings appeared to support Singh and Vinnicombe's views (2000) that women are committed in different ways than men. The male groups' top priorities revolved around them as individuals. It was interesting to note that general standard of dress was in the top priority for women

but was one of the lower ranking for men. Therefore gender of the respondents was related to psychological contract of the employee.

The first objective of the study was to determine if there was any relationship between the psychological contract and performance. This objective was broken down into parts. First the employees were asked to score on a Likert scale the level of importance they attached to the psychological contract. Then were asked to indicate the level to which these factors had been fulfilled and in again indicate the level to which the same factors influenced the way they performed their current job.

The study revealed that the employer had failed to fulfill some very important components of the psychological contract which had a great influence on performance. For example pay increases was a very important factor to employees at 70%, influenced performance at 89.6 % but had been fulfilled at 22%. Up to date training and development was fulfilled at 18.9% though it influenced performance at 65%. Physical working environment was important at 56%, fulfilled at 41% while it influenced performance at 41%. Support to learn new skills was fulfilled at -29% though its level of importance was at 68.9% and influenced performance at 32.7%. This shows a contract breach which can be attributed to the poor performance by the employees. Despite these some factors had been fulfilled but did not influence performance positively, for instance

rewards was important at 43.1% was fulfilled at 29% but influenced performance at -18%.

To test the hypothesis that covered this objective a t test was done and the calculated t-test result was 2.133. The critical t value at 95% confidence interval was 2.000. Since the calculated t value was greater than the critical t value, the null hypothesis was rejected and conclusions made that there is a relationship between fulfillment of the psychological contract and employees performance.

The second objective of the study was analyzing the changes that had taken place in the psychological contract. Percentage changes were determined and a t-test was done to prove the hypothesis. A two tailed test of the paired type revealed a calculated value of 2.876. The critical t value at 95% confidence level was 2.000. Since the calculated value was greater than the critical t value, the null hypothesis was rejected and concluded that there is a significant change in the psychological contract.

The study also showed that the perspectives of the urban and rural employees of this company are strikingly similar. The calculated t test results showed that the mean score of urban was 71.2308 while that of the rural employees was at 71.00. The calculated t value was 0.947 with 25 degrees of freedom. Since the critical t value at 95% confidence level is 2.060, the calculated value is less than the critical t value therefore we fail to reject the null hypothesis.

5.2 Limitations of the study.

This study focused solely on Telkom employees, which consequently raises the question of generalizability of the findings. Given the recent changes in the structure and operation of the sector in pursuit of tighter public expenditure control, the employees could be experiencing more violations. Nevertheless we would expect other employees experiencing violations to react in similar fashion. Furthermore, these results are in line with previous research (Guest et al., 1996; Robinson and Rousseau, 1994) suggesting that different employees react similarly to contract violations. Further research could explore the potential moderating effects of the saliency employee's attach to particular obligations in how they respond to contract breach. Other limitations are

1. Study was limited to the psychological contract rather than the overall employer-employee relationships. The study has also be dealing with opinions, attitudes, values and beliefs, therefore the use of self-reported opinion or attitude is somewhat unreliable given biases of the respondent. This problem is common to surveys.
2. Time was also a limiting factor as the study could have covered all other aspects that are affected by the psychological contract at Telkom. This is because the university only allocated the study four months.

3. Financial resources were limiting in that the study could not cover all employees of Telkom Kenya in other regions due to insufficient funds. The study was limited to central rift region. A similar study could be carried out for all the employees of this company.

5.3 Recommendations

The psychological contract provides a complementary or alternative framework for examining changes occurring in the employment relationship at the individual level. Furthermore, the psychological contract framework may be of particular value in understanding employer non-traditional employee linkages. It is important to note that employees are redressing the balance in the relationship through reducing their performance levels which has been highlighted as in an organizational survival and well being. Therefore, the key issue for managers is how to manage the psychological contract so that the dysfunctional consequences of the breach are minimized.

The practical implications of the study suggest that employers need to take steps to understand employees perceptions of the content of the psychological contract and from this alter the terms of the contract where circumstances permit.

Consequently employers may need to communicate to the employees the reasons underlying their non fulfillment of some obligation in conjunction with altering the delivery of some others.

5.4 Suggestions for further research.

Each individuals experiences, both at work and in their lives in general play a part in defining both current and future attitudes to the employment relationship. This individuality makes the psychological contract an interesting research subject: general findings may show similarities across studies but detailed responses will always exhibit an element of uniqueness. Whether the organization in its present effort to explicitly outline the new contract and alter specific policies and practices to reflect this, succeeds in generating a more positive psychological contract and consequences awaits future work.

Another avenue for future research will be to examine the degree to which the managers can control, or perceive they can control, the delivery of their part of the exchange process.

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APPENDIX 1

PENINAH NJERU,
THROUGH COORDINATOR,
EGERTON UNIVERSITY,
NAKURU TOWN CAMPUS,
P.O Box 536,
NJORO.

LETTER TO THE RESPONDENTS

Dear Sir / Madam,

This questionnaire has been designed to gather information regarding the psychological contract and its effects on performance. The researcher has specifically identified Telkom Kenya for this study. This information is to be used to complete a research project, a requirement for a degree of master of Business Administration, Egerton University.

You have been carefully selected to take part in the research project, please assist me by completing the questionnaire to the best of your knowledge. This information will be used for academic purpose and a copy of the final document will be given to the company on request. Any information given by you will be treated with strict confidence.

Please do not write your name on the questionnaire

Yours sincerely,

PENINAH NJERU
MBA STUDENT

APPENDIX 2

QUESTIONNAIRE

SECTION A: ABOUT YOURSELF

Please circle the number representing the most appropriate response according to you in respect to the following items

1. Name of Branch

2. Gender

- (i) Male (ii) female

3. Age

- (i) 0 – 30 years (ii) 31 – 40 years (iii) 41 – 50 years (iv) Over 50 years

4. Marital status

- (i) Single (ii) Married (iii) Widowed (iv) Divorced

5. Your role in the organization

- (i) Managerial staff (ii) Technical staff (iii) Other (specify).....

6. Length of service in organization

- (i) Less than 10 years (ii) 10-20 years (iii) 20 or more

7. Length of service in present position

- (i) Less than 2 years (ii) 2 to 5 year (iii) 5 to 10 years (iv) 10 or more years

SECTION B

8. For each of the following questions circle the number that represents your opinion or feelings best, as coded below

5. Very important 4. Slightly important 3. Indifferent

2. Slightly unimportant 1. Not important

I. Employees expectations

Job security	5	4	3	2	1
Good career prospects	5	4	3	2	1
Up to date training and development	5	4	3	2	1
Pay increases to maintain standard of living	5	4	3	2	1
Fair pay in comparison with employees in					
Other companies in similar positions	5	4	3	2	1
Physical working environment	5	4	3	2	1
Support to learn new skills	5	4	3	2	1
Fair pay for responsibility in the job	5	4	3	2	1
Rewards	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

II Organizations expectations

Loyalty	5	4	3	2	1
Working to meet company's goals	5	4	3	2	1
Developing new skills	5	4	3	2	1
General standard of dress	5	4	3	2	1
Flexibility (working away from home)	5	4	3	2	1
Putting extra hours when required	5	4	3	2	1
Commitment	5	4	3	2	1
Giving benefit to the company	5	4	3	2	1

Giving benefit to the customer	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

9. Indicate the degree to which your employer has fulfilled its obligation as coded below

	5. Very well	4. Fairly well	3. Not obliged to fulfill		
				2. Poorly fulfilled	1. Not at all
Job security	5	4	3	2	1
Good career prospects	5	4	3	2	1
Up to date training and development	5	4	3	2	1
Pay increases to maintain standard of living	5	4	3	2	1
Fair pay in comparison with employees in					
Other companies in similar positions	5	4	3	2	1
Physical working environment	5	4	3	2	1
Support to learn new skills	5	4	3	2	1
Fair pay for responsibility in the job	5	4	3	2	1
Rewards	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

10. Comment on the current level of performance of your immediate supervisor

(1) Below 20% (2) 21% - 40% (3) 41% - 60% (4) 61% - 80% (5) Over 80%

Proceed to question 13

SECTION C

11 Indicate the degree to which the employee working under you (**incase of manager or Supervisor**) has fulfilled his / her obligation as coded below

	5. Very well	4. Fairly well	3. Not obliged to fulfill	2. Poorly fulfilled	1. Not at all
Loyalty	5	4	3	2	1
Working to meet company's goals	5	4	3	2	1
Developing new skills	5	4	3	2	1
General standard of dress	5	4	3	2	1
Flexibility (working away from home)	5	4	3	2	1
Putting extra hours when required	5	4	3	2	1
Commitment	5	4	3	2	1
Giving benefit to the company	5	4	3	2	1
Giving benefit to the customer	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

12. Comment on current level of performance of employees working under you (use back of page)

(1) Below 20% (2) 21% - 40% (3) 41% - 60% (4) 61% - 80% (5) Over 80%

13. To what extent do the following factors influence the way you perform your current job.

	5. To a great extent	4. Considerable extent	3. Not sure		
	2. A little	1. Not at all			
Job security	5	4	3	2	1
Good career prospects	5	4	3	2	1
Up to date training and development	5	4	3	2	1
Pay increases to maintain standard of living	5	4	3	2	1
Fair pay in comparison with employees in Other companies in similar positions	5	4	3	2	1
Physical working environment	5	4	3	2	1
Support to learn new skills	5	4	3	2	1
Fair pay for responsibility in the job	5	4	3	2	1
Rewards	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

SECTION D

14. Indicate the degree of importance in your expectations of this organization when you were employed.

	5. Very important	4. Slightly important	3. Indifferent		
	2. Slightly unimportant	1. Not important			
1. Job security	5	4	3	2	1
2. Satisfaction in job	5	4	3	2	1

3. Training and development	5	4	3	2	1
4. Corporate culture	5	4	3	2	1
5. Physical working environment	5	4	3	2	1
6. Working hours	5	4	3	2	1
7. Reward	5	4	3	2	1
8. Giving the company benefit	5	4	3	2	1
9. Career progression	5	4	3	2	1
Others (please specify)					
.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

15. Indicate the degree of importance of your employers' expectation when you were first employed by this organization

5. Very important 4. Slightly important 3. Indifferent

2. Slightly unimportant 1. Not important

Loyalty	5	4	3	2	1
Working to meet company's goals	5	4	3	2	1
Developing new skills	5	4	3	2	1
General standard of dress	5	4	3	2	1
Flexibility (working away from home)	5	4	3	2	1
Putting extra hours when required	5	4	3	2	1
Commitment	5	4	3	2	1
Giving benefit to the company	5	4	3	2	1
Giving benefit to the customer	5	4	3	2	1

Others (please specify)

.....	5	4	3	2	1
.....	5	4	3	2	1
.....	5	4	3	2	1

16. What reasons would you attribute to the above changes?

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....
- 6.....

17. How do you set to know about the employer's expectation?

1. Letter of offer
2. Mission statement
3. Friend/colleague
4. Immediate supervisor
5. Other (specify).....

18. Are you clear about what you perceive to be your employers expectations?

[Yes]

[No]

19. What should be done to make the employers expectation clearly understood?

-
-
-
-
-

20..In what ways can you use your expectations to enhance your performance?

-
-
-
-
-

Thank you for taking your time to answer the questions.

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