

Managing Psychological Contracts for Business Continuity

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Abstract

The nature of employment relationships is changing as business processes and organization structures change. Psychological contract theory helps to describe employment relationships and helps us understand the ways in which they are changing, as organizations become flatter and more fluid in their designs. Conventional business continuity planning methods assume that business employees will be available to activate plans and help with response, recovery, and resumption. This paper is a description of research on psychological contracts, turnover, and organizational commitment among Y2K project team members. The research data are gathered from seventeen U.S.-based business organizations. The specific subjects are key personnel assigned to special duty (Y2K-related) for the millennium rollover and their executive managers. The results compare employee and management expectations regarding extra-role assignments during special events and disasters. The research supports the notion that deliberate management of psychological contracts is not only helpful for everyday processes, but also has value in ensuring the continuity of organizations through disaster events.

Introduction

Business continuity is an outcome. It results from mitigation, contingency planning, effective response, and rapid recovery. It depends upon the performance of people in the role of planner, responder, and recovery team member. Planning, response, and recovery are work processes and must be viewed as such in order to be sure that an organization is protected from the ravages of natural and human caused disasters. Human performance at work is influenced by a number of factors including knowledge, motivation, the work environment, and relationships. These factors provide a general framework for studies that focus on a number of variables such as selection, training, feedback, resources, management support, incentives, and task interference (Stolovitch & Keeps, 1992). While a good deal is known about each of these variables, much remains to be learned. Dramatic changes are taking place in the knowledge requirements related to work, in the work environment itself, and in employment relationships. More deliberate management of relationships has become an important concern in an environment of increasing variety and uncertainty (Blancero, Marron & Keller, 1997).

Along with increasing variety and novelty in tasks and shorter expected tenure comes change in employment relationships. While factors like trust and affective commitment were once prominent elements in relations between people and their employers, they appear to be less important as the nature of work changes (Millward & Hopkins, 1998). Psychological contracts are a useful framework for describing these employment relationships. Formed during organizational socialization and modified over time, these mental models help to define the values gained and given during employment tenure. Violation of contracts can lead to turnover and reduced commitment (Morrison & Robison, 1997). Psychological contracts tend to be individual and idiosyncratic (Rousseau, 1995). Unless deliberately revealed or shaped, they are the private possessions of all organization members.

The deep dependence of business organizations on computers and information systems contributed to the development of a potential disaster during the change from the year 1999 to the year 2000. Whether or not the worst-case scenario of worldwide economic disruption occurred, this disaster event could be expected to exert pressure to change on the psychological contracts of key personnel owing to the importance placed on the event by managers and owners.

The Changing World of Work

Fundamental ideas about human organizations began changing in the latter half of the twentieth century. Scientific management, with its mechanistic time and motion view of work, gave way to concern for the humanity of workers and interest in complex issues of motivation and meaning. This observable shift may be a single cycle in a process that consists of two types of thinking that are necessary components of an insoluble whole—rational thinking and normative thinking. Each provides balance to protect against excesses of the other and when each dominates for a time it predicts the onset of the other. Indeed, Deming (1982) called for a transformation of management style in the United States that would incorporate both measured planning (rational thinking) and concern for human interests in the workplace (normative thinking). Consultants to large corporations undergoing change have begun to talk of the importance of managing perceptions and leadership on a par with formulas for process design and financial manipulation (Nadler, 1997).

Developments in communication and information management technology have enabled businesses to enter global markets and have caused everything to begin moving faster. Recently, scholars have suggested that a fundamental change is taking place in how we must think about human organizations (Miles & Creed, 1995, Rousseau, 1997). Whereas the stable organization structure has been the immutable foundation of work design, the advent of systems-thinking is forcing managers to shift their approach toward primary consideration of organizing as a dynamic reality. Short product life-cycles, escalating customer demands, and the increasing pace of change have been suggested as some of the factors that render traditional (vertical) views of organization obsolete (Rummler & Brache, 1995). Other observers have suggested that faster communications, faster knowledge acquisition, a growing worldwide population, increasing interdependence,

stronger competition, limited resources, diversifying ideologies, constant transitions of power, and ecological distress are also contributing to the alteration of our work and life environment (Conner, 1992). The organization as parent is giving way to a process of organizing around current customer expectations and market dynamics. What is emerging is a new era of flexible, lateral forms of organization that leaves behind fixed, vertical structures (Davis, 1987, Miles & Creed, 1995).

Psychological Contracts Theory

Relationships among people are shaped by characteristics of the larger cultures in which they are formed and function. John Locke and Thomas Hobbes are among empiricist philosophers of the 17th century who introduced the idea that without an absolute monarch, who ruled as an extension of god, societies needed a general agreement regarding the obligations of individuals to one another regarding social behavior (Bernasconi, 1997). This was called a social contract. It was not a written agreement, though aspects of it could appear in writing in various places. It was an understanding to which people would adhere in order to ensure the existence of a civilized social order. The Constitution of the United States of America can be viewed as a written description of a social contract of sorts.

In recent times, scholars have explored a like construct, called a psychological contract, that helps to define a person's relationship with an employer. Psychological contracts may be described as consisting of declarative and procedural schema that simplify how we relate to employers and fellow workers (Rousseau, 1995). This type of schema may be created by controlled, rational processes, but becomes automated and somewhat resistant to change once in place (Rousseau, 1995). The contract is an agreement that defines the exchange of value between the worker and the organization that is necessary and sufficient to ensure acceptable performance, adherence to organizational rules, and retention (Argyris, 1960; Levinson, 1962; MacNeil, 1985; Schein, 1980). Change in psychological contracts does occur, though, as a function of critical events and their attendant information. A study of contract changes among recruits in the British Army found that the content of contracts did shift over time, but not in exactly the way that was predicted (Thomas & Anderson, 1998). Guzzo, Nelson, and Noonan (1992) found that dramatic changes in financial performance of an organization could trigger alteration of contract content such that employee commitment was lost. The research does not inform us, however, if other or all types of dramatic events in the lives of organizations and employees exert pressure on the manifestations of contract adherence and violation.

Rousseau (1995) offered a "behavioral theory of contracts" as a tool to enhance understanding of the dynamics of employment. She describes the development of psychological contracts in organizations in much the same way as Wheatley (1992) described organization life processes--as self-organizing relationship systems within a bounded rationality. Her behavioral theory suggests that external and internal factors drive the creation of contracts between employers and workers. External factors include the messages and social cues from the organization or social setting. Messages could be things said by a recruiter or hiring manager during the selection process. They could be

publications by or about the company that describe the experience to be expected by employees. They could be the formal policies presented during newcomer orientation. They could even be off-handed comments by coworkers.

Internal factors include individual interpretations, predispositions, and constructions. The theory suggests that, of the two, the internal factors are more powerful. It is these internal factors that lead a person to interpret any message as promissory such that it is incorporated into the contract terms. Messages will be interpreted as promissory if they come from an authoritative source or are supported by the direct experience of the subject or a credible other. Predispositions include cognitive biases that encourage retention of information that is consistent with views of self. In addition to cognitive bias, Rousseau (1995) suggested motives related to career as important predispositions that would shape interpretation of what is owed by the parties to the agreement. An employee may perceive the terms of the contract very differently if the job is to be a stepping stone to another job elsewhere as opposed to the job as the beginning of a long relationship with the same company.

The violation of psychological contracts resulting from the perceived failure of organizations to keep their promises occurred as a matter of course in a majority of cases where MBA graduates were followed from their date of hire to thirty months later (Rousseau, 1994). If internal factors play such an important role in defining the terms and conditions of the contract, and reliable information is unlikely to be found, frequent perceived violation is no surprise.

Rousseau (1989) characterized psychological contracts as relational or transactional depending upon the time-frames involved, degree of specificity in the values exchanged, and the extent to which the contract contains emotional involvement. A shift in the terms of psychological contracts for a growing percentage of the workforce toward the more specific and transactional and the reduced predictability of events affecting business has increased the probability of contract violation. In addition, previous research has shown the links between perceptions of contract violation and factors such as trust, organizational commitment, job commitment, job satisfaction, and intention to quit (Rousseau, 1989; Robinson, 1996; Millward & Hopkins, 1998; Morrison & Robinson, 1997). Millward and Hopkins (1998) found that the commitment to which psychological contracts relate is more to the job than the organization where commitment is measured in willingness to work extra unpaid hours to finish a task. Rousseau (1998) asserts that strong identity with an organization will nonetheless continue to be a feature of employment relationships because of elemental needs to expand the ways in which people think about themselves. Individuals appear to have a strong drive to identify with their work settings (Ashforth & Mael, 1988) and such identification seems valuable where success is dependent on coordinated action (Coleman, 1990). In work systems that are more temporary and less vertical in their design, relationships must be developed quickly and effectively to ensure success.

The deliberate management of psychological contracts has been suggested as a necessity in this emerging environment of more temporary and specific relationships (Rousseau, 1995; Blancero, Marron, & Keller, 1997). Management involves both strategic systems designs that encourage the kind of contract formation desirable for the organization and emphasis on fair treatment in management practices. It may be that contract management is nothing more or less than continuous re-socialization and that deliberate socialization is the primary contract formation strategy employed by employers, whether they are aware of it or not. Of course, changes in psychological contracts can be minor, as in an increased expectation of access to information as a result of a promotion to a supervisor position, or major, as in a the dramatic shift in work content and relationships emerging from a change from a traditional vertical work structure to a more horizontal team structure. If contracts were a function of continuing information processing during change events, it would follow that contract renewal must occur in conjunction with such events. The change management strategies and tactics of organizations should, therefore, include attention to the impact of change on psychological contracts. It may be that retention of key personnel depends heavily on the quality and amounts of information provided by contract makers in relation to critical events during the life of the employment relationship. It is also unclear whether contract management needs to address the elements of contracts related to the employer and employee obligations to one another in the event of a disaster.

Recent research has shown how psychological contracts may change as a function of organizational socialization (Thomas & Anderson, 1998). Their study of recruits in the British Army concluded that a relatively stable psychological contract poses more of a threat to the employment relationship than a versatile contract that is actively managed. This active management can foster adaptation to emergent conditions rather than encourage perceptions of contract violation with its attendant loss of commitment, reduced satisfaction, and increased intention to quit. When an organization prepares contingency plans in anticipation of probable dramatic events, it seems prudent to include the assessment of psychological contracts as part of the planning process. This study aimed at the collection of relevant information about contract content, commitment, and intention to quit as they relate to a possible disaster event. The employees who are asked to give up a holiday weekend to stand ready for a possible disaster will serve as models for employees in organizations who are also asked to perform under stressful conditions during unexpected disasters.

The Millennium Rollover as Disaster

It seems reasonable to assume that employees, even in a dynamic employment environment, are dependent upon the continuity of the organization in the near term. They must expect owners and managers to be committed to protection of the viability of the organization. Thus, it is reasonable to ask about the extent to which employees' expectations of management extend to disaster mitigation and recovery planning such that the organization is more able to withstand the effects of disaster. There are few answers, however, to be found in the literature. Disaster researchers have been almost exclusively concerned with the processes surrounding natural hazards and human caused

hazards that result in direct threats to lives and safety in the community. Concern for events that can cause business interruptions and subsequent damage in the lives of owners, managers, and employees as well as to a local economy is fairly recent and not the subject of empirical research.

While research has been ongoing for decades regarding the impact of disasters on social systems and economies, there is no empirical body of knowledge regarding the impact of disasters on employment relationships. It is obvious that study of such phenomena is difficult when the impact of disasters on people cannot be easily simulated and actual disasters are not sufficiently predictable to lend themselves to this sort of research. The millennium rollover provides such an opportunity.

Experts agree that human factors are critical in disaster preparedness and recovery, and were an essential concern for Y2K planning (Laye & Martinez Torre-Enciso, 1999; de Jager & Bergeon, 1999). The critical role of people in disasters is illustrated by the role that skilled technical personnel played in preparation for the millennium rollover and were expected to play during the event. Changes to computer systems, despite the technical nature of the work, are performed manually by skilled people who may be in short supply during an event that was expected to impact information systems (de Jager & Bergeon, 1999). Their attendance and performance would be critical to preparation and management of the rollover.

What, then, are the perceptions of employees regarding the obligations of their employers toward providing incentives and inducements to ensure attendance and performance during the rollover? What are employees' perceptions with regard to ensuring their personal safety on the job and the security of their employment? What are the perceived obligations of employers in this regard? How committed are personnel dedicated to the Y2K problem to their current employers?

Of primary concern in the event of a disaster that affects employee homes as well as their places of employment are the choices that they make regarding reporting to work to help the organization to recover. Will they be there when needed? To what extent will their commitment to the organization extend to participation in critical recovery operations that may include relocation of key business operations? To what extent do organization managers and executives accurately predict what employees are likely to do? Do employees perceive participation in disaster response and recovery to be a part of their psychological contract with the organization? Will employee and manager perceptions be different in traditionally structured organizations and more evolved organizing companies?

This study sought to contribute to the body of knowledge regarding human performance under disaster conditions. Specifically, the questions being asked are: (1) What differences exist among organizations with regard to their Y2K contingency planning and the demand placed upon key employees by their plans and programs? (2) To what extent would employees working during that weekend have contract expectations related to

incentives, special accommodations, family support, and other issues that may arise during a crisis? (3) What will be the levels of commitment and intention to quit among those scheduled to work that weekend?

Data Gathering

The aim of the data gathering process was to develop information related to the content of psychological contracts among employees scheduled to work during the millennium rollover weekend. In addition, data were to be collected related to variables that could be affected by demands to work during special events that fall outside the normal work schedule. These variables included organizational commitment, intention to quit, and psychological contract type. Interview data were also sought from among the executives responsible for managing the rollover events. The executives were asked to predict how employees would respond in general areas of perceived psychological contract content, organizational commitment, and intention to quit. In addition, the interviews sought information regarding the general management policies and practices at work as well as characteristics of the cultures in the various organizations.

It was expected that the organizations would demonstrate some variance in the level of preparation in which they were engaged as well as in the level of demand that would be put on employees during the rollover weekend. However, no such variance was evident. All of the participating organizations had implemented Y2K programs that could be described as comprehensive in that they included at least an inventory of systems, hardware and software remediation or replacement, embedded chip replacement, and supplier certification. In addition, all of the organizations except one had scheduled personnel for duty at various times during the weekend. Thus, the data collected from the executives and staff personnel consisted of scaled survey items, demographic facts, and statements of opinion as well as descriptions of policies and practices.

The participating organizations fell into several categories of organization type (see table 1). Organizations in the "Other" category included several wholesale grocery distribution companies, a large construction company, a logistics provider, a provider of outsourced call center services, and a company that provides financial analysis software as well as consulting services.

Table 1
Distribution of Participating Organization Types

Organization type	n
Product Manufacturing	6
Health Care	1
Retail Sales	1
Petrochemical	1
Higher Education	1
Other	7
Total	17

The participating organizations were located in eight different states and a province in Canada. Several organizations had operations in more than one state or in other countries outside the United States. Ninety-three completed surveys were returned from staff in fourteen organizations. Fifteen of the surveys were returned from the five organizations that requested an electronic form of the instrument.

Ninety-two survey respondents were information systems technical and support staff personnel scheduled for duty during the rollover weekend. One was a member of the Y2K project team but not scheduled for duty during the rollover weekend. The respondents included eighty-one full-time employees, four part-time employees, and five contractors. Forty-one of these were managers and one was a non-exempt employee. Fifty-one respondents reported that they volunteered for rollover weekend duty of the seventy-three who were scheduled to be on site for most or all of the weekend. Seventeen percent of the respondents had been employed by their organizations for less than three years. The range of time employed extended from six months to thirty-four years. Sixty-nine percent of the respondents had been employed by their respective organizations for five years or more.

Interview data. The two data gathering methods, interviews and a survey questionnaire, generated different kinds of information of interest. The executives uniformly reported that the preparations for the Y2K rollover were necessary and important. One subject stated that there might be some differences across various industries owing to different levels of hazard and litigation risks, but preparation was still necessary for all. Another reported that while the preparations were very necessary and important in his division, other divisions of the company would probably take a different view.

During the post-event interviews, all of the executives reported that the effort and commitment of resources had been well worth it. General perceptions of the event ranged from satisfied with to extremely proud of the outcomes achieved.

No subjects reported any issues with people in terms of attendance or performance during the rollover. Several of the subjects reported that the entire project had produced positive outcomes in addition to disaster prevention. Improved communication across functional barriers, improved project management processes, and important lessons in teamwork were reported as unanticipated benefits from the process.

Most organizations in the study continue to rely on structures that are fairly vertical in that managers and executives are accountable for behavior and performance of those who report to them, and most have a fairly distinct system of status among technical and management personnel. There is, however, a significant reliance in many of the subject organizations on the professionalism of personnel with regard to questions like hours worked and adherence to performance standards. Standards, though, are not a matter of explicit policy in the organizations in the study, but a matter of what is understood as part of the job. Several of the executives specifically stated that reporting for work at odd hours or for emergencies is an accepted part of an information systems professional's job.

When asked about policies regarding reporting for work in the event of a disaster, executives generally agreed that while there were no formal policies in place, employees were expected to show. When asked if the policy would be different if there were disaster impact on the homes and families of employees, executives were less certain about what would be expected. Most felt that the company would understand an employee's desire to attend to personal concerns before coming to work, but there was no retreat from the expectation that people would come to work as soon as possible. A few subjects were aware that there could be different kinds of responses to such a turn of events. Some employees reported they would not show at all, some would make the effort after taking care of family, some would report if provided with adequate child care, and some would show even if not asked or needed.

Executives predicted that employees would report a significant commitment to the organization in terms of desire to stay employed and pride in organization membership. This prediction closely matched the data from the employee survey regarding organizational commitment. Executives reported a definite belief that survey participants would describe their employment as bound more by a relationship than by a contract. The survey data showed slight agreement with their perception.

Survey data. The surveys provided more quantified information to relate to the largely subjective data from executive interviews. The four areas of inquiry each yielded useful data that can be interpreted alone or in comparison with the interview data. In general, the survey data support positive expectations regarding the performance of information systems personnel under special event circumstances. They show the level of organizational commitment to be fairly high among the surveyed population and the content of psychological contracts to be different from that predicted. The data revealed no intention of turnover among the respondents, but an intention to seek training for improved personal marketability. Respondents reported that they would show up for work during the rollover if everything went as planned, but might not if anything happened that impacted home and family. The type of psychological contracts (transactional or relational) held by respondents favored the relational type.

The executives described the expectation that people would be willing and available for work that weekend to be a normal part of the job of an information technology professional. The survey data supported this management perception. There was general disagreement with the survey item statement that the organization was obligated to provide incentives and special accommodations in exchange for working during the weekend. The executives' assertion that their people did not see the Y2K project as outside their normal role definition appears to be supported by the survey data. Of the thirteen items that described various obligations that employees may have perceived employers to have, five appeared to describe elements in the psychological contracts of survey participants.

There was moderate agreement with the statement specifying disaster planning and preparation support as an obligation. There was fairly strong agreement with the

statement specifying assistance in contacting family as well as with the statement specifying direct involvement in planning as employer obligations. There was some agreement with statements specifying time off with pay in the event of disaster and personal thanks from management as obligations. Despite the predictions of the seminar participants and more authoritative sources such as the Gartner Group, there was no apparent support in the study sample for expectations of promotion, incentive pay, special accommodations, entertainment, increased job security, other non-monetary incentives, or public recognition.

Table 2
Psychological Contract Content

Item	n	Mean	Median	Mode	Std. Deviation
Expect Promotion	93	1.32	1	1	0.710
Disaster Planning Support	93	3.41	3	3	1.369
Continuation of pay	93	2.94	3	1	1.621
Help contacting family	93	3.54	4	5	1.464
Time off with pay	93	3.20	3	3	1.403
Incentive Pay	93	2.01	1	1	1.456
Accommodations for family	93	1.39	1	1	0.808
Entertainment	93	1.60	1	1	0.991
Increased job security	93	1.67	1	1	1.087
Involvement in Planning	93	3.33	4	5	1.484
Non-Monetary incentives	93	2.14	1	1	1.388
Personal thanks	93	3.17	3	3	1.356
Public Recognition	93	2.02	1	1	1.277
Grand Total	93	2.44			

Discussion

We have seen how socialization practices can influence the shaping of psychological contracts (Thomas & Anderson, 1998). This phenomenon is consistent with the assertion of psychological contracts theory (Rousseau, 1995) that discontinuous information processing affects the content of psychological contracts. Furthermore, contracts change over time. If information is at the heart of contract formation and change, it would follow that deliberate information delivery should help to shape contracts. Information technology managers and staff members around the world have shared an experience that informs them about how they can shape their psychological contracts. If the sample in this study is in any way representative, it seems fair to say that contracts have been supported in ways that are beneficial to the goals of owners and managers of organizations in need of committed people. It is encouraging to see that these technology professionals can be depended upon to respond when needed. It is even more

encouraging to note that when management demonstrates a commitment to disaster prevention by committing resources and personal support, disaster can be averted.

The study appears successful in identifying specific elements in contracts that appear to relate to a special event but may also be generalized. Survey respondents verified that employers are expected to provide assistance in communicating with family in the event of a disaster. Employers are also expected to involve IT personnel in planning and to provide support for preparation. Finally, they are expected to demonstrate personal appreciation for the work that these people do.

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