The Influences of Employer Psychological Contracts Breach and Its Impact to Employees’ Innovative Behaviors
(A Qualitative Study in Research Organization in Malaysia)

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Abstract: The objectives of this study is to examine the influences the Employer Psychological Contract (EPC) breach and its effects on employees’ innovativeness. An interviews has been conducted in a focus group with 5 numbers of participants. The findings discussed the variety of ways employees’ perceive on contract breach in their research organization. From the literatures, the study also found that EPC and its impacts to the employees’ innovativeness are rarely discussed. The findings are based on the interview results and analysis employer career development, trust, rewarding and support could help to improve psychological contracts and its relationship towards employees’ innovativeness. The studies giving an overview on how EPC breached could affect the employees’ innovative behaviors based on a focus group interviews.

Keywords - Psychological Contracts Breach, Leadership, Innovative Behavior, Influences, Impacts, Paper type - Research paper

1.0 Introduction

According to scholars, Scott and Bruce (1994) have mentioned people innovativeness is the heart of an organization that keeps the organization blooming through their creative ideas. Academicians and practitioners also have agreed that innovation supports the organizational to become successful (Van de Ven, 1986; Amabile, 1988; Axtell, Holman, Unsworth, Wall, Waterson and Harrington, 2000; Smith, 2002; Unsworth and Parker, 2003). A previous studies in EPC breached, organizational commitment and innovation-related behaviors shows that psychological contracts breached have caused the decreased of organizational commitment and effect the employees’ innovative behaviors (Lam et al., 2010). However, there are still a few studies on how EPC influenced the employees’ innovative behaviors. Until today, the Human Recourse and Development practitioners is seeking methods and ways to improve in organizational innovation (Karin Sanders et al., 2010).

Based on the literature, Psychological Contracts has been familiar in organizational studies by Chris Argyis in 1960. (Schein, 1988. p.22) has stated Psychological Contracts “as an unwritten set of expectations operating at all time between every member in the organization and among various managers and others in that organization”. In addition, Psychological Contracts is a relationship that formed on unwritten promises of two parties in the organization. This condition brings both parties to the mutual understanding and belief they will get a return as expected from the work done or achieved. On recent studies, EPC breached was heavily discussed on the fulfillment and its obligations.

Khar Kheng & Mahmood (2013) recognized Social Exchange Theory (SET) was developed to comprehend the human behavior in perspective of the element of the relationship cycle (Homans, 1958). In this respect, social trade was seen as a type of action in which two persons or more will take part in a tangible or intangible movement that can be either compensating or unreasonable (Blau, 1964). Using the corresponding methodology as a part of compensating, Blau (1964) and Gouldner (1960) proposed should not to be an immediate rewarding of execution from the employees but instead on offering resources as formative and social advantages. These theories inferred that employees will expand their engagement, loyalty and work execution since they are obliged to give back the act of benevolence that they have (Aselage & Eisenberger, 2003). Subsequently, the above portrayals delineate that when employees are given innovation-relevant resources, the more trust and decency will be seen by them exist in the...
association. This will make the employees obliged to tackle the additional role in the act (Organ, 1988), which is vital in seeding innovative behavior among the workers. The bigger the commitment the more prominent it will apply the innovative behavior on them (Blau, 1964).

2.0 Research Objective

The purpose of this study is to determine on the psychological contract breach and its affect towards employees’ innovativeness. The general idea of Psychological Contracts is about the perceptions and reciprocity of employees’ and employers on each obligations being fulfilled or otherwise. In depth, the previous studies show that the relationships of Psychological Contracts breached could affect parties’ commitment, attitudes and behaviors. This phenomenal has a trigger to further studies on Psychological Contracts breach influences and impact to the organizational outcomes. Thereby, the aim of this study is to explain the Psychological Contracts breached between the management and employees’ could affect the employees’ innovative behavior in one of the ICT research organization in Malaysia.

3.0 Literatures

i. Psychological Contracts Breached

Rousseau (1990) has stated that the psychological contracts is divided into two parts so-called Transactions and Relations. Psychological contracts-transactional is a long term in its form and Psychological Contracts-Relations is otherwise. For example, Psychological Contracts Transactional is such as trust and uncertainty, while Psychological Contracts Relations is more on rewarding and career development. Psychological Contracts have been seen as an important mechanism and a tool for expectation management. Guest (2004) has outlined the Psychological Contracts breached could give an impact on organization turn over, performance and employees’ attitudes such as organizational commitment, job satisfaction, work and life balance, job security, motivation and stress. Hence, this situation will also affect employees’ reaction such as leaving the job or disloyalty. On the other hand, psychological contracts breached is a mutual understanding of one or more obligations failed or fulfilled at the organization level.

ii. Innovative Behavior

West and Farr (1990) stated innovative behavior is a purpose of creating, introducing and explain a new idea in a group and organization that provides benefits to the performance of the group and the organization. Previous studies found positive and motivated employees’ can affect their innovative behaviors (Hassan, 2010; Amabile, Barsade, Muller & Staw, 2005; Quinn, 2005; Eisenberger, Jones, Stinglhamber, Shanock & Randall, 2005). Amabile et al., (2005). There is a lot of methods for employees’ to generate creativity such as participation in forums, lectures, debates, projects, group work and assignments outside the classroom (Amabile et al., 2005). Those activities encourage them through the discussion, thought, reference, and providing notes or produce specific task. However, to implement a new idea could also be through other processes such as design, development and production and so on. An innovative product or idea will actually be benefiting to the organization. Hence, this circumstance was explained learning and motivation are highly associated with organizational innovation (Shipton et al., 2006) and organizational commitment (Grover & Crooker, 1995; Rodwell, Kienzle & Shadur, 1998; Schwochau, Delaney, Jarley & Fiorito, 1997; Chen, Hui &Sego, 1998).

4.0 Research Methodology

This study uses qualitative research method to examine the Psychological Contract Breach affect towards employees’ innovativeness. This research has been carried out in one of research organization in Malaysia. This organization is a well-established company with 300 numbers of researchers in the various technical background in information & communication technology (ICT). An interview was conducted via online platform use none-structured questions and through personal observation with a focus group for data collection. There are five researchers were selected as the sample of the study to get more close understanding and information on how Psychological Contracts is treated in their organization. As Mauthner et al. (2002) mentioned the interviewees should carefully manage, building rapport and trust with interviewees for the sincere and honest admits as well as real information from them. The chosen number of participants were meet the criteria for the purpose of the study. A segment of the frameworks sampling has been used for the triangulation data authenticity checking with participants that contain various skills set of capacities and course of occasions. This sampling method was used to diminish the effect or inclination to the researchers. The participants are given 90 minutes to response to the questions. The participants were prompted for a few times to ensure their answer is firm for data validity. According to Kvale (1989), data validity in
qualitative research is defined as investigating, continually checking, questioning and theoretically interpreting the findings.

5.0 Data Analysis

Profile of individual’s participant includes researchers at the age of 30 to 43 years old and the researchers’ expertise in the field of computer engineering, prototype design and software development. Most of the researchers have 5 to 15 years’ of experience with a different technical background as summarized in Table 1 below. The interview session was online recorded from five researchers.

Table 1: The Profile of Participants

<table>
<thead>
<tr>
<th>No. of Participant</th>
<th>Age</th>
<th>Expertise</th>
<th>Working Experience (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant A</td>
<td>32</td>
<td>Mechanical Design</td>
<td>8</td>
</tr>
<tr>
<td>Participant B</td>
<td>35</td>
<td>Electrical Engineering</td>
<td>10</td>
</tr>
<tr>
<td>Participant C</td>
<td>30</td>
<td>Electrical Engineering</td>
<td>5</td>
</tr>
<tr>
<td>Participant D</td>
<td>42</td>
<td>Computer Engineering</td>
<td>14</td>
</tr>
<tr>
<td>Participant E</td>
<td>43</td>
<td>Computer Science</td>
<td>15</td>
</tr>
</tbody>
</table>

An open-ended type of questions were asked to the participants that allow them to explain their thoughts and feelings on Psychological Contracts breached in the organization. The questions vary for each participant to seek their affection towards the questions prompted. Those answers have been coded and moderated with appropriate language in order to identify a close meaning to the objective of the study. Powell and Renner (2003) pointed out, interviews data need to be sort into categories and understand the patterns, meaning and its connection within categories.

6.0 Findings & Discussion

i. Trust and Uncertainty

Data was extracted according to highlighted issues and analyzed into various categories. Followed by identify the causes of Psychological Contract breached and its effect on the employees’ innovative behaviors. The most influential issues were highlighted by the participants which are concentrating more on by trust and uncertainty from their leadership. According to the participant A, the company’s management do not trust the credibility of their own researchers and no any assessment was conduct on how to increase the employees’ effectiveness.

The management did not trust our credibility.... They don’t even go down and see what we can do more... if they are like us they will know how to value it....

According to Bass (1990) the leader is an agent of change in the behavior of group members. In general, a leader can influence employees’ to be more innovative (Yulk, 2002). Leader’s role also able to improve the level of innovation behavior (Basadur, 2004, p.103). In addition, the leadership accountability was seen as an important endeavor to lead the organization in the right direction. According to the participant B, the researchers are disappointed when their ideas were cast by the company’s management due to bureaucracy reasons.

Our management doesn’t believe in the idea being raised... they rather let the bureaucracy much disputed the idea...

According to the participant D, the researchers do not really feel secure on the uncertainty that could happen if they fail to materialize the idea.

The researcher open to threat when the idea is not successful.... Sometimes the ideas difficult to be materialized not because of lack of technical but just because of the relationship.

The role of leadership as a policy and decision maker has long been seen as the key factors for organizational success in steering the organization (Daniel Muijs, 2011; Murphy et al., 2006). Most of the participants believe if their leader could make a good decision, it will impact to the employees’ innovativeness. Furthermore, leadership could promote and show the support for an innovation to determine the survival of the organization in the long run (Ancona & Caldwell, 1987). Jung et al. (2003) agreed that leadership could enhance the work satisfaction system to increase the level of innovation. Afterward, it will also lead the increase of employees’ motivation and job performance (Shamir et al., 1993). Thus, it reflects the employees’ creativity (Sosik et al., 1997). Furthermore, a charismatic leader should have great followers if the leader able to inspire the followers. Max-Weber (1968) said, a charismatic leader is also known as transformational leadership, who is able to give inspiration and motivation to the employees (Avolio & Bass, 2002).

ii. Organizational Justice
Fairness in organizational makes organization trustworthy enabler in seizes employees’ behavior (Blau, 1964). Organizational justice is a major influential on individual perception towards the changes of their attitudes and behaviors (Colquitt et al., 2001). Based on the social exchange theory, organizational justice is play important role (Craipanzano, Prehar, & Chen, 2002; Masterson, Lewis, Goldman, & Taylor, 2000), in giving effects on positive behaviors and organizational effectiveness. Previous studies conclude organizational justice impacts on employees’ motivation and work behaviors (Colquitt, 2001; Folger & Skarlicki, 1999) will show positive behaviors. While, Lowe and Vodanovich, (1995); McFarlin and Sweeney (1992) found, the disappointment of organizational justice implementation will turn into negative behaviors. Based on the participant C statement, most of the current and new leaders have no capabilities to lead the group such as making a clear situation to the employee’s justice or encouragement’.

Some of the leaders are new... If we contribute more idea, what would happen to us....? Do ourselves will get job burden and will being well treated?

A successful innovation needs a lot of trials and errors on its journey. As Zhao (2006) mentioned, among the challenges in innovation are an uncertainty and significant risk associated with individual self-confidence and motivation. Since the progress and result are hard to be predicted. The participant assumed that the uncertainty of a new idea become not successful in the future is worrying to the employees. There are some employees who are found this situation can be long burden will lead to demoralizations. According to the participant D, his previous experience was directed him not to be much proactive. 

Last several years I gave a significant contribution to the company... but my actual performance result remains at average achievement...

According to the participant E, the performance evaluation shows the work has been done according to the achievement target. However, the real result of achievement is based on the top management decision.

I’ve done as per target required.... At the end... It depends on the top management decision, not on the actual achievement...

Furthermore, sometimes the management will place the employees in a high controlled environment where they have to go through rigorous process and procedures that cause a lot of time-consuming. The participant also mentioned the organization justice and trust should also be put into high consideration. Finally, the participant has mentioned that the organization leaders should focus more on the potentials of the main outcomes of the idea generated from the researchers as well as-a good decision making could avoid the waste of talent and skills.

### iii. Reward and Recognition

In this study, most of the researchers believe, a good return such as performance support, career development, rewarding and recognition could increase the number of innovative ideas in the long run. Below is verbatim from the participant A commented how he felt when the reward is unfairly treated.

The management rewarded and recognized to their favoritism rather than performed workers...... I feel the reward and recognition sometimes not being fairly treated....

According to the participant C, the reward and recognition system are not potray the exact what they want to be.

We are the original idea contributors... but how come other people are not involved much in the output getting the same reward...

The previous study was conducted by Thomas et al., (2010) and Zhao et al., (2007) the violation of psychological contract will result in the decrease of employees’ motivation and performance in the future. This is because the employees’ expectation to the employers will owe return to them and it is the employers’ obligations to fulfill it (Rousseau, 1989 &1995). According to the participant E, the reward and recognition system are not giving much encouragement to contribute more in the workplace.

The company recognized the staff with unattractive reward at all....They give free car park to the best employees as a reward.... The crowd laugh for this reward...

The participant also raised the issue on rewarding the employees’ achievement will affect the innovative behaviors. Yukl’s (2002) expressed that leaders hold a power in monitoring, delegating, consulting rewarding and recognizing. Previous scholars believe rewarding in terms of materials or financial could be helpful to increase motivation and trigger better results for the outcomes (Eisenberger & Cameron, 1996).
iv. The Impacts of Employees’ Innovative Behaviors

Nowadays, the global system is increasingly driven by knowledge information and ideas. Innovation has become most important to be competitive in the market. Zawislak et al. (2008) had defined innovation as a development of new technologies or applications. Although innovation is mainly about skills and quality, most of the researchers still argue the relationship between workers and employers could affect the output of the organization (Esther Kloet, 2010; Turnley & Feldman, 1999). Moreover, MacNeil (1974) emphasized the psychological contract improvement able to form good employees’ behaviors. In addition, innovation is often associated with a dynamic environmental. Previous research found the role of the supervisor is to motivate as well as able to change employees’ behavior (Mumford et al., 2002; Scott & Bruce 1994; Tierney, Farmer & Graen, 1999).

In this study, the participants also stated a great leader could increase the employees’ confidence level in a workgroup. Furthermore, most of the participants are highly agreed that a good employer in leadership would affect their innovativeness. Gundersan et al. (2012) support this condition that there is a positive relationship between leaderships and dynamic working environment. Agarwal et al., (2012) found when the employers create a job development opportunities, authorization, and good jobs, but at the same time the employees will also find it is a burden and need to be more committed (Bhal, 2006), disbelief (Bauer & Green, 1996) and discourages on employees’ innovative behaviors (Basu & Green, 1997; Scott & Bruce 1998; Shockley-Zalabak et al., 2000).

Employer trust was found as an important element to enhance employees’ cooperativeness. Previous scholars indicate there is a direct effect on organizational trust to work engagement (Chughtai & Buckley, 2008; Lin, 2010). Moreover, based on Argawal (2012), some employment relationship contains unspecified obligation cannot be negotiated in court. Thus, the uncertainty in the management decision is also a major barrier that holds the exploration of a good idea for further great inventions. In this study, the participants felt this condition drive some employees remain silent and increase the reluctance to be innovative due to many uncertainties. Furthermore, most researchers refuse to come out with new ideas due to unclear of management decision and burden of the tasks. Most of them need some space in terms of less being controlled and favor enough time given to conduct a research. This condition has shown that when psychological contracts were breached, the employees are not motivated and unable to give more commitments to the organization where innovation highly relies on employees’ motivation.

7.0 Summary of the findings

This study found psychological contract was breached mostly on the leadership trust and uncertainty, organizational justice as well as reward and recognition. The psychological contract breached more on relational which is long-term or open-ended employment arrangements based upon trust and loyalty (Rousseau & Wade-Benzoni, 1994; Rousseau, 1995). According to Guess (2003), psychological contract is a perception obligations and responsibilities of employers and employees’ executed when the job is done. The result showed the employer failed on their responsibilities to the employees in terms of performance support and employees’ development due to uncertainty, erosion and trust. As a support, Guest (2004) shows the factors and elements associated with the formation of a psychological contract which is formed through the common agreement, contributions and duties. This study also shows a psychological contract also was breached when promises are violated, lack of justice and disbelief on employees’ capabilities. Rozario (2012), mentioned the effects of the psychological contract is depend on the promises of both parties. Furthermore, violation of these promises will indirectly affect the behavior and attitudes of the employees. Zhao et al. (2007) anticipated the psychological contract breached associated with deprived performance and development which could also drive to a negative emotions and attitudes. Other than that, the participant also found the red-tape in their organization is a barrier to fulfilling their commitments in innovations. Hence, when psychological contracts are breached, they did not motivate and unable to give more commitments to the organization. In 2008, a study on innovation attitude in Australia the respondents was concerned on reduction of red-tape to drive the innovation.

8.0 Conclusion

A speech made by great leaders of a technology company said the “a civilization is driven by invention”. Innovative behavior is an intention to creates, exploring, and implements new ideas in their roles, group, or organization to benefits on organization performance and survival (Janssen, 2000, p. 202). Therefore, the result of this study indicates managing the psychological contract is very important in maintaining employees’ motivation and to change the mindset of employees.
toward a positive direction. Additionally, it will also improve organizational commitment and behavior change toward more positive behaviors (Hakanen et al., 2006; Schaufeli & Bakker, 2004; Hakanen, Perhoniemi, Toppinen & Tanner, 2008; Salanova & Schaufeli, 2008). Furthermore, Freese (2007) states the study on organizational behavior is a systematic study on the progress of the advancement of the organization. Leadership issues give high influences to form positive employees’ innovative behaviors to meet the organizational outcome. Hence, this study would like to recommend a fair treatment and good leadership to the employees would embrace great innovations possibilities. Finally, this study suggests for further study on psychological contracts managing methods and leadership improvements to lead the innovations.

9.0 References