

# **The Nexus between Psychological Contract and Organizational Commitment: Moderating Effect of Generation Gap**

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## **1. Background of the Study**

This study examines the contribution of generation gap to understand the nexus between PC and Organizational commitment. Throughout the 1980s and 1990s organization and management consultants have researched the concept of organizational commitment and report that highly committed employees are likely to be more effective, and be concerned with contributing to organizational improvement. (Beverly Metcalfe, 1997).

Although the concept of the psychological contract originates from outside the Human Resource Management (HRM) field, it has nevertheless become a major analytical device in propagating and explaining HRM. There is a considerable amount of interest in the psychological contract from academics and practitioners alike, as both search for the factors likely to contribute to sustained employee motivation and commitment (Cullinane, 2006). The psychological contract has captured the attention of researchers as a framework for understanding the employment relationship. (Argyris, 1960). Viewed the psychological contract as an implicit understanding between a group of employees and their employer, and argued that the relationship could develop in such a way that employees would exchange higher productivity and commitment in return for acceptable wages and job security (Taylor & Tekleab, 2004).

Researchers have revealed that the different generations vary in terms of behavioral characteristics and work-related values. Which is likely to influence their engagement and commitment with various aspects of workplace. Studies

have indicated differences among generations on aspect of personal and professional life (Rousseau and Greller, 1994; Macky et al., 2008). Bush et al. (2008) reported variations among the generations in terms of status in the workplace, need for recognition, commitment to the workplace, idealism in the place of work, etc. Studies found that there are high discrepancies among all generations working together which originate complications and conflicts within workplace (Lawrence, 1988; Gedde and Jackson, 2002; Lancaster and Stillman, 2002; Griffin, 2004). Collins et al. (2009) stated that generational distinctions can build incongruence in the supervisor-subordinate dyad. According to practitioners, communication, coordination to achieve goals, and productivity are the three main things that are likely to be impacted by generation gap, which, in turn organization's performance (Arora, 2013). Some want to explore a long-term relationship with defined career paths and others want a relationship that is characterized by lots of challenging work regardless of their tenure.

## **2. Problem Statement**

The selected company represents a vast range of generations starting from Baby Boomers: Born 1946 to 1964, Generation X: Born 1965 to 1976, Millennial's, Gen Y: Born 1977 to 1995 and Gen Z or Centennials: Born 1996 and later. These generational differences are giving challenges for human resource specialists and managers and they are searching how to manage and work with people from different generations in the workplace. While these issues have been precisely reflected in the organization, there is need of more empirical evaluation of issues related to multigenerational workforce. Executive and above level employees at Fonterra brands lanka (Pvt) Ltd shows a set of very different patterns in their job life cycle when it comes to different generations. There's is a need to examine the generational diversity with

respect to PC, organizational commitment, as these attributes are likely to influence employees' involvement in organizationally desired outcome such as organizational citizenship behavior and intention to stay with organization, these outcomes are vital for the organization to have a sustained competitive advantage in the global business environment.

Five or six years back the company was all set to accept job hoppers with a positive attitude since they were expecting fresh blood to be pumped inside organization through this. But today, it seems whole a different story with some strange employment patterns of the newest generations. As per the view of the Top management professional's in the company it seems there's a relationship with their PC, Commitment and longtime orientation. Identifying the relationship between these variables would be great in terms of setting career development plans, planning career discussions, Reviewing career success and all. Because it's important to have people who are set for a long journey with the company while gathering fresh industry exposure / experience and all through job hoppers.

### **3. Significance of the Study**

Although some of above mentioned variables have been explored in earlier researches, but most of these studies were conducted in other cultures such as India and USA and some in European countries. Since the labor market variables differ in different countries, it cannot simply be presumed that these findings generalize across countries. Exploring more about Sri Lankan labor market and the determinants of its characteristics would help the country as an upcoming nation. Our labor supply is a bit delayed one since the Sri Lankan education system and all takes a relatively longer time period to release younger generation to the job industry. But nowadays the trend has being changed a bit. Latter part of the Y generation tends to start working just after

becoming adults. This is being a big challenge for the employers to manage since there strange career goals/expectations have differed a lot from generation X and baby boomers (who are in upper management in organizations at the moment).managing the above challenge properly would certainly create a positive impact on organizations performance. Building a strong psychological contract and establishing their intention to stay within the company is so crucial since Generation Y/ Gen Z or Centennials are referred as the future of corporate sector. Employees with continuance commitment remain with their organizations mainly to evade costs of leaving. The cost evaluation is influenced by tenure and the position the employee holds as they might feel that they have invested too much to actually consider separating from the organization. It is absolutely important to study the needs and expectations of all generations in order manage the challenges of four generations under one roof. Often, the biggest challenge is getting the generations to see past their biases and learn to how to work together toward a common goal.

#### **4. Objectives of the Study**

##### **4.1. General objective**

To investigate the effect of generation gap on the relationship between PC and Organizational commitment.

##### **4.2. Specific objectives**

- I. To identify differences of PC in different generations.
- II. To examine the generational differences for organizational commitment.
- III. Identify generationally distinct attitudes & expectations towards job orientation.

## 5. Literature Review

Academicians and professionals alike have explored the concept of commitment for more than half a century. Daboval (1998) Stated that young employees consider fewer obligations to their employers compared to similarly aged employees did a few decades ago. Older workers are likely to have more loyalty toward the employer and they believe that hard work is rewarded with job security and gradual pay increases.

While, younger generations for their career, make quick career transitions and take advantage of unexpected learning opportunities and consider that they themselves must take responsibility for their career (Brousseau et al., 1996; Hirsch and Shanley, 1996; Klein et al., 2006; Solomon, 1992). Crainer and Dearlove (1999) asserted that younger workers are more likely to leave the organization whenever they get a good opportunity and to look for other employment opportunities if their needs are not being fulfilled by their present employer. Findings of study on European managers indicated that the youngest show stronger learning orientation and lower organizational commitment than older generations (Regina, 2008). These findings indicate that younger employees are less likely to continue with organization for life long. Commitment has been defined as attachment, identification, or loyalty to the entity of the commitment (Morrow, 1993) and organizational commitment as “the relative strength of an individual’s identification with and involvement in a particular organization” (Mowday et al., 1982).

Organizational commitment continues as one of the extensively deliberated phenomena in the organizational behavior literature because of its relationships with absenteeism, turnover, and job performance of the employees (Bentein et al., 2005) It also has been reported to be significantly associated with diverse employee behavior like punctuality at work, citizenship behavior, job

satisfaction, etc. (Bogler, 2005; Dishon-Berkovits and Koslowsky, 2002) and fostering employees' organizational commitment is considered to be the prime concern for present-day organizations to retain talented employees in a knowledge-driven economy (Neininger et al., 2010; Reiche, 2008). Studies have found various predictors of organizational commitment including personal characteristics, work experiences, job characteristics, role states, group/leader relations, leadership behavior, and organizational characteristics (Allen and Meyer, 1990).

Although there have been various conceptualizations of organizational commitment, the majority of the existing research in the theme have used Meyer and Allen's (1991) conceptualization of commitment. Meyer and Allen's (1991, 1997) model of organizational commitment identifies three components, namely, affective, continuance, and normative. Affective commitment refers to employees' emotional attachment to, and identification with an organization and employees with high affective commitment remain with their organizations because they want to.

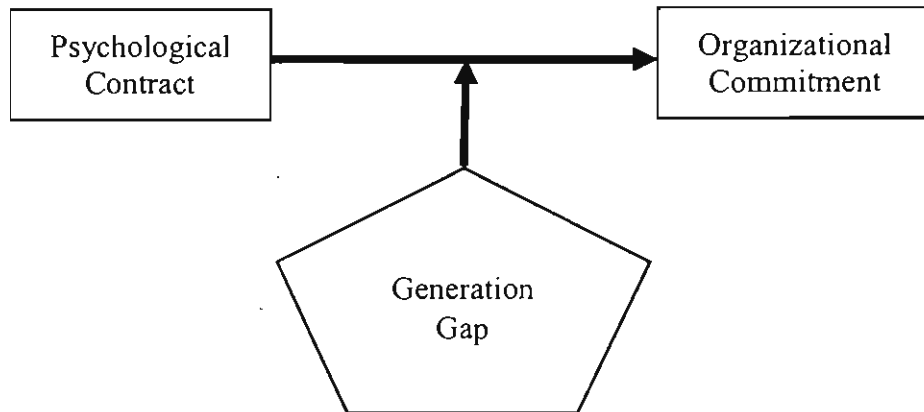
Key to understanding why employees leave their organization is their psychological contract with the organization (Rousseau, 1989; Blomme et al., 2010). The psychological contract is defined as "an employee's beliefs about the reciprocal obligations between that employee and his or her organization, where these obligations are based on perceived promises and not necessarily recognized by agents of the organization" (Morrison and Robinson, 1997, p. 229). These beliefs thus refer to the way the employment contract is interpreted, understood and enacted by employees (Millward and Brewerton, 2000) and forms a psychological filter between the actual working conditions, and an employee's responses. The psychological contract can therefore be considered an important antecedent for employee commitment and turnover

intention, and ultimately turnover (Bal et al., 2008; Blau, 1964; Morrison and Robinson, 1997; Robinson and Rousseau, 1994; Thompson and Bunderson, 2003). In this paper we argue that different generations will perceive their psychological contract differently. Generational are shaped by societal events in a formative phase of their lives that influence their values (Gursoy et al., 2008; Ng et al., 2010; Smola and Sutton, 2002). These values are considered to play a central role in the perception and evaluation of experiences in the workplace (Dawis and Lofquist, 1984) and therefore will influence their perception and evaluation of the psychological contract (De Vos et al., 2003). We therefore propose that different generations will hold different psychological contracts with their employers, and will value aspects of their psychological contract differently.

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## 6. Conceptual Framework of the Study



**Figure 01: Conceptual framework of the study**

## 7. Hypothesis of the Study

As a tentative prediction about the nature of the relationship between identified variables, the following hypotheses have been established to be tested with speculative data.

**H<sub>1</sub>:** There is a significant relationship between a worker's psychological contract and job commitment.

**H<sub>2</sub>:** Generation gap significantly moderates the relationship between a worker's psychological contract and job commitment.



## 8. Methodology

Disproportionate Stratified Random Sampling can be used for the research since there's a need to highlight a specific subgroup within the population. This technique is useful here because it ensures the presence of the key subgroup within the sample. A structured, closed questionnaire will be used to receive the responses from the employees of different generations in the month of October 2016. A total of 100 employees from 02 large organizations based in Sri Lanka (one MNC) will be invited to participate in the study. Organizations were identified through personal contacts.

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