

## **PSYCHOLOGICAL CONTRACT, MOTIVATION AND CHANGES IN HR MANAGEMENT IN THE AGE OF CRISIS IN GREECE**

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### **Abstract**

This paper outlines and discusses an approach to HR management in Greek Civil Engineer Consultant Companies during the economical crisis of 2010-12. A discussion of the definition of crisis nature and a brief literature review about the motivation and psychological contract are presented in the first part of it. The paper is integrated with one case study, the results and the conclusions. The aim of this paper is to investigate the crisis process, to explore the changes into psychological contract and the motivation factors which emerge in response to crisis in Greek Engineer Consultant Companies, to present these new situation and to identify problems which may face managers, helping them to cope with more effectively. While this paper is presented within this restricted context, it will be interested to any manager who operates an organization in a crisis time.

**Key Words:** *Greek crisis, psychological contract, motivation*

**JEL Classification:** M500

### **1. INTRODUCTION**

Now and perhaps more than ever, we have a need of good leadership and motivational methods. To get through the financial crisis we are experiencing at the moment, a strong focus on motivation has to be made. Today in Greece of 2012, we are having the highest unemployment rate of 24%. In the latest years we have experienced an increase in firings and it has become difficult to get a job.

In relation to the crisis, but also just in general to the changes in the society, there have come different aspects or worries up to the surface, for people. When time changes and the society is in a crisis, there might also be a need for change in the leadership and the way the leaders are motivating the employees. In organizations, the aspect of uncertainty has come up. If people do not feel secure and safe in their jobs, what is the role of the psychological contract.

## **2. DEFINITION OF CRISIS**

A crisis is described as: 1) a major threat to system survival with, 2) little time to respond (Hermann, 1963), 3) involving an ill-structured situation (Turner, 1976), and 4) where resources are inadequate to cope with the situation (Starbuck & Hedberg, 1977; Webb, 1994).

A crisis (Booth, 1993) is "a situation faced by an individual, group or organization which they are unable to cope with by the use of normal routine procedures and in which stress is created by sudden change". More specifically, a crisis is an unexpected event in an organization's life, for which there are no contingency plans in place, which threatens high priority goals and demands a time-pressured response (Brecher, 1977). Pauchant and Mitroff (1992) believe that a crisis is a "disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, its existential core".

## **3. MOTIVATION**

A definition of the word "motivation" in a business dictionary is the following: "Internal and external factors that stimulates desire and energy in people to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal. Motivation is the energizer of behavior and mother of all action. It depends on the interactions among conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her significant others".

Motivation has many aspects. There is the internal and the external motivation. In relation to internal motivation there are rational factors such as expectation, self-confidence and goal management. Furthermore there are the irrational factors such as needs, qualities, and personality. Looking at the external motivation, there are the points of job design, which account for motivations factors and job

characteristic. The other sub point, being economic and social factors, such as rewards, justice, and personally wages. The effect motivation creates a focus on specific assignments, creates energy, effort, and a determination which creates more persistence. Lastly it affects the job, in the sense that the employees will make plans for how their given job will succeed (Laegaard, 2008).

Table 2: Motives in some different societies, research of D. Elizur

	USA	UK	Germany	Holland	Taiwan	Korea	Hungary	China
<b>Interesting work</b>	1	2	1	1	2	3	6	5
<b>Accomplishments</b>	2	6	7	2	1	1	2	1
<b>Advancement in carrear</b>	3	7	10	6	4	7	10	6
<b>Personal recognition (self esteem)</b>	4	5	9	9	3	9	7	3
<b>Abilities used at work (properly)</b>	5	4	6	5	8	4	5	2
<b>Autonomy at work</b>	6	9	5	4	7	10	9	4
<b>Security of the job</b>	7	8	4	8	5	2	8	10
<b>Good manager (attensive and correct)</b>	8	10	3	7	6	6	1	7
<b>Good incomes</b>	9	3	8	10	10	8	4	9
<b>Good collegues (agreeability)</b>	10	1	2	3	9	5	3	8

Source: Panisoara, 2006

Many perspectives are in existing literature regarding the motives. Kline (2001) in his survey about managers describes ten factors in order of importance (with 1 being the most important and 10 the least important) based on what they thought their employees feel as important to them. The ten factors were a feeling of being in on things, job security, interesting work, personal loyalty to employees, tactful disciplining, good working conditions, promotions and growth in the company, good wages, help on personal problems and appreciation of work done. D. Elizur (Corbett, 1994) realized a cross-cultural research in a number of countries. He put the subjects and tried to make a hierarchy with the factors who influence their work motivation (1 - the most important factor, 10- the least important factor).

As it is shown from the results (Table 2) there is a significant different, which depends on the cultural environments.

#### **4. THE CONCEPT OF PSYCHOLOGICAL CONTRACT**

The development of concept of psychological contract can be divided into two parts. The period from 1930s to 1980s was dominated by more exploratory and less empirical research on the concept of psychological contract and central to that research was the concept of mutual and reciprocal exchange relations between employee and employer (Argyris, 1960, Blau, 1964, Kotter, 1973, Schein, 1965, 1970, 1980). The period from 1989 till to date is dominated by more empirical studies and less exploratory studies on psychological contract. Rousseau's definition of psychological contract as cognitive-perceptual process or individual's mental model has been well recognized in most the psychological contract research appeared over the last two decades and it has gained the status of a scientific construct

Rousseau conceptualized the psychological contract as individual-level cognition and made this the object of her research studies. Focusing on employee's perceptions, she defines the psychological contract in terms of 'individual beliefs regarding the terms and conditions of an agreement between that focal person and another party' or as 'individual beliefs in a reciprocal obligation between the individual and the organization' (Rousseau, 1989). Morrison and Robinson (1997) define the psychological contract as the employee's beliefs about reciprocal and promissory obligations between himself and the organization. Although the psychological contract is an individual-level construct, it reflects beliefs about tangible and intangible items that are to be exchanged in the context of a dyadic relationship. According to Rousseau (1995), obligations are commitments to future action and refer to attitudes and intentions. The emphasis on the employee's belief about what should be exchanged is an important characteristic of the psychological contract (Robinson, 1989). Another important characteristic is that the psychological contract is inherently perceptual and subjective (Ten Brick, 2004). Shore and Tetrick (2004) stressed that this was a set of beliefs shaped by multiple sources of input and by cognitive and perceptual biases. As such, a psychological contract may differ from the formal, written legal contract but is very real to the individuals who hold them. Behavior and attitudes are influenced quite significantly by an individual's perception of his obligations and perceptions of how well the other party's obligations have been fulfilled. The lack of fulfillment of aspects of the psychological contract will lead to a violation of the contract, with a

change in attitudes and of behavior as a consequence (Morrison, 1997). Rousseau (1989) suggests that a violation of the psychological contract may lead to strong emotional reactions such as anger, resentment and a sense of injustice.

In empirical research, many researchers have used or based their measuring constructs of the psychological contract on Rousseau's questionnaire (Rousseau, 1990). Based on the research studies, Herriot *et al.* (1997) distinguishes 11 items in the psychological contract. These are: job content, development opportunities, job security, work climate, intra-organizational mobility, work-family balance, autonomy, salary, performance-related pay, clarity about the task and promotion opportunities.

## **5. CASE STUDY - METHODOLOGY OF RESEARCH**

The main objectives of the research are identifying the motivation of the specific population of Engineers and especially the hierarchy of main motives of it, and also the factors in the psychological contract. For the first part of our research we used the list of factors of D. Elizur, based on main motivational theories in the field (McClelland, Alderfer). About the items of psychological contract, these are based on the factors of Herriot's (1997) research.

In the case study, data which formed the basis of research were collected by interviews. However, the main purpose of the interviews was to gather qualitative data about people's attitude during the crisis. Each interview was semi-structured and lasted approximately 30 minutes. Interviews were conducted in two phases April 2005 (before crisis time) and January 2012 (during crisis).

We focused on two companies operating in Athens (Greece) to examine their HRM responses during the Crisis time. The two companies, that were studied, were firms that focused on consulting services. Firm A associated with big projects of private sector, (especially Hotels, Luxurious Residents and malls) while firm B with Road and Bridge Project of Public Sector. The firm A, before the crisis, occupied eight employees while firm B, nine employees. Today in firm A are occupied five employees and in firm B four employees.

## **6. ANALYSIS – RESULTS**

### **6.1 Motivation factors**

The results of the first part research (2005) show that "good manager", "interesting

work" and "good incomes", are the most significant motivation factors, in Greece. The population with "no work experience" place in the lower position "good manager" option which shows that lack of experience did not give information about the importance of the manager in work place. "Job security" is in the last place for population who work in private sector, which characterize the sector as dynamic and in permanent restructuration.

*Table 3: Motives in Greek Civil Engineers before and during the crisis time*

	Greece 2005	Greece 2012
<b>Interesting work</b>	2	6
<b>Accomplishments</b>	5	7
<b>Advancement in career</b>	6	8
<b>Personal recognition (self esteem)</b>	7	9
<b>Abilities used at work (properly)</b>	8	<b>10</b>
<b>Autonomy at work</b>	9	5
<b>Secuity of the job</b>	<b>10</b>	<b>1</b>
<b>Good manager(attensive and correct)</b>	<b>1</b>	3
<b>Good incomes</b>	3	2
<b>Good colleagues (agreeability)</b>	4	4

At the age of crisis (2012) the hierarchy of the motives has completely changed. The most significant factor is the "Security of the job" and then, of course the "income". No matter who is the manager, who are their colleagues, what is the job. The employee does just want a job and some money to survive (as they characteristically said, during the interviews).Table 3 presents the hierarchy of success in 'motivational drivers' before and during the crisis time.

Good manager "and "good income" seems to be the most significant motivating factors in Greece. The "good income" is a factor which always affects and motivates Greek people. In before crisis period this factor characterized social them (status quo) while in crisis time the factor is converts in "safe income" and motivates as a factor of economic survival.

According to the table, during crisis period, "security of the job" is the highest influenced factor in motivating .On the other hand, in no crisis period, the factor has low influence. Also it is remarkable the low significance of the factor "Abilities used at work".

## 6.2 Psychological contract

The results of the first part research (2005) show that the "job context", the "promotion " the "development opportunity" and the "performance – related pay" are the most significant items in psychological contract , in Greece. "Job security" is in a low ranking and also the "Salary" is not a significant item in the psychological contract

*Table 4: Significant factors in the psychological contract*

	Greece 2005	Greece 2012
Job content	1	7
Development opportunity	4	10
Job security	10	1
Work – family ( balance)	6	4
Autonomy at work	8	5
Salary	7	2
Performance – related pay	3	8
Role clarity	9	6
Promotion opportunity	2	9
Work Climate	5	3

At the age of crisis (2012) the hierarchy of the factors-items has completely changed. The most significant item is the "Security of the job" and then, of course the "Salary". Items that involve with personal attitudes and options of the employees ("work climate" and "work- family balance") seem to be precious in the psychological contract. Employees have the need of a quiet and calm wok life and to spend more hours with their family. Table 4 presents the hierarchy of items in psychological contract before and during the crisis time.

According to the table, during crisis period, "job security" is the highest influenced factor in psychological contract .On the other hand, it is remarkable that, in no crisis period, the factor has low influence. Also is interesting the low significance in scale of factors the "Role clarity" to Greek people.

## 7. CONCLUSION

We remark that the hierarchy before and during the crisis has dramatically changed. The variable ‘Security on the job’ which is presented as a light variable became the most important motivation factor in the crisis time. Employees, first of all, want a permanent and secure job while the motivating factor "Good Incomes"

follows "Security of the job". We remark that needs of employees are always on top (before crisis: "good income", "interesting job", during the crisis: "security in job", "good- safe income"). The company's environment (managers, colleagues) which before crisis was at the top of the factors list remains at the top, while the variable of 'Interesting job', during the crisis, is presented with the less weight.

In psychological contracts the expectations are unspoken and antedate the formation of the contract. Psychological distance deals with the human need and challenge of intimacy. People need to feel close enough to others so they can effectively manage stress, share necessary information, and gain some personal sustenance from our work. At the same time there needs to be enough distance that they don't become distracted because they feel invaded.

Psychological contracts have a dynamic option because they change without formal acknowledgment. People at work expect different things of themselves and others over their careers. Change profoundly affects relationships; it may completely disrupt them. Furthermore, during times of crisis, expectations are corrupt and get lost. Change affects people's expectations about stability and security. Change with its instability can leave people feeling insecure and in danger.

Psychological contracts are a way of organizing the social life at work. They keep some of the sand out of the interpersonal gears. In economical crisis time, managers have to discuss with their employees, share with them their problems, keep them calm in the work environment, respect their family life and give them time to spend with it. In this way, the employees feel commit to the employer, new expectations are built and reinforced. The way change is handled creates new or reinforces expectations for future change. Change affects people's expectations about stability and security and makes them strong to go on.

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