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**Examining the Link between Psychological Contract Violation and Employee Commitment - A Study of a Nigerian Mortgage Bank****Dr Eno Maycock**

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ABSTRACT

This research aims to critically examine if a relationship exist between employee commitment and their psychological contract - employee beliefs about the reciprocal and promissory obligations between them and their employer in this Nigerian mortgage bank. This research would also examine the impact of Nigerian cultural environment on employee's psychological contract. In this study, it was hypothesized that there is a significant relationship and link between psychological contract violation and employee commitment (i.e. intention to quit behaviour). The research followed a quantitative methodology utilising questionnaires and the sample population was made up of full time employees of a Mortgage Bank in Nigeria. One hundred and forty (140) usable questionnaires were received. Pearson correlation co-efficient was used in analysing the survey data.

The results of this study indicates that that there is a relationship between psychological contract violation and employee commitment (i.e. intention to quit), the results also highlight a negative correlation indicating that employees will necessary not quit (i.e. commitment) although they experience psychological contract violations. Also this study highlighted that the highest level of importance attached by employees to psychological contract items studied (namely job satisfaction, career development and promotions) was the item "Promotions". The outcome of this research will stimulate discussions on the implications of psychological contracts, retention interventions and measures managers can implement to enhance employee commitment and minimise voluntary critical skills turnover, thereby reducing overall operational cost.

KEYWORDS: Nigeria, Mortgage Bank, Psychological Contract, Employee Commitment and Culture.

Introduction

The mortgage banking sub sector of the Nigerian financial services industry accounts for less than 1% of the annual GDP of Nigeria (ThisDayLive, 2011) but the sub sector faces the problem of very high staff turnover when compared to other sub sectors (such as commercial banking sub sector and investment banking sub sector) in the Nigerian financial services, this sub sector also faces problems such as the pressures placed on it by the recent mortgage crisis in the united states of America that led to a world wide financial crisis which also affected banks in the Nigerian financial services industry and the mortgage banking sub sector resulting in downsizing, redundancies and forced consolidation within the industry, the Nigerian mortgage banking sub sector is also presently undergoing a regulatory induced recapitalisation exercise that will result in further consolidation in the industry and in changes or shifts in employee psychological contracts between employers and employees in this sub sector.

With the growing need in the Nigerian mortgage banking sub sector to retain and motivate quality staff as well as enhance and increase staff urge to stay with the organisation, it has become very important to investigate and understand the relationships that employees develop with employers and the effect of their psychological contract on this relationship. By understanding these relationships employers in the Nigerian mortgage banking sub sector can develop remedies that will help enhance positive workplace outcomes, reduce staff turnover and encourage employee commitment and enhance retention within the organisation as well as help mitigate against violations in psychological contracts that may lead to negative workplace behaviours (Sturges et al., 2005).

Research objective

The objective of this research is to critically examine if a link exist between employee commitment and employee beliefs about reciprocal and promissory obligations between them and their employer in this particular mortgage bank. This research would also examine the impact of Nigerian cultural environment on psychological contract needs of employee and recommend measures unique to the Nigerian internal and external environment that could be implemented in the future in this particular bank.

This research will fill a gap in literature as very little or no research has been undertaken within this area in Nigeria. It will also stimulate discussions and studies around the cultural peculiarities of the Nigerian employee and employer relationship in regards to employee commitment and psychological contract violations, as most other studies were undertaken in Western cultural settings and Asian/Indian cultural settings (Agarwal, 2011; Joshy and Srilatha, 2011).

Literature Review

The work of Argyris (1962) first introduced the concept of psychological contract. Psychological contract definition follows that given by Rousseau (1989) where he defines it as ‘... an individuals belief regarding the terms and conditions of reciprocal exchange agreement between the focal person and another party’, thus psychological contract occurs when one person or party believes that a commitment or pledge of future returns has been made, a contribution has been given or based on the pledge work or effort has been exerted and thus an obligation or indebtedness has been created to provide future benefits or reimbursements, it can also be looked at as employee beliefs about reciprocal and promissory obligations between himself and the organization (Morrison and Robinson, 1997), individual beliefs is a reciprocal obligation between the individual and the organization (Rousseau, 1989), ‘individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization’ (Rousseau, 1995, pp.9) and as an obligation as commitment to future action.

Psychological contract has roots in the following key theories; the equity theory that suggests that an individual's outlook or temperament towards their psychological contract will remain positive and optimistic as long as they feel that the treatment they receive is fair in comparison to others (Huseman, Hatfield and Miles, 1987), the exchange theory that explains or reflects how an individual invests or makes contributions or works in return for a particular reward or outcome (Buchanan and Huczynski, 1997) and the expectancy theory that examines the extent to which an individual's expectations (regarding availability of valued outcomes) influences motivation and performance of that individual or that an employee effort will lead to performance and performance will lead to reward (Vroom, 1964; Fred, 2011). Psychological contract theory can be explained in the social exchange framework (Blua, 1964) and norm of reciprocity (Gouldner, 1960) in that the presence of fulfillment resulting from psychological contracts that make employees sense or believe that there is care and concern towards their well-being and development can and or may induce employees to reciprocate towards their employers by enhancing their display of affective commitment as well as enhance their

willingness to stay longer in the organization. The primary function of psychological contract can be said to be the reduction of insecurity because it is not possible to address all aspects of employment relationship in a formal written contract and thus psychological contract gives an employee a sense or hunch of influence on what happens to him or her in the organization (McFarlane Shore and Tetrick, 1994 cited in Joshy and Srilatha, 2011, pp. 277).

Rousseau (1995; 2000) defined different types of psychological contracts namely transactional psychological contract and relational psychological contract. Transactional psychological contract being one that is focused upon short-term and largely financial benefits to the employer or employee while relational psychological contract is the one that has evolved over time as a partnership developed between the employer and the employee. Violations of psychological contracts may lead to increase in employee turnover (Robinson and Rousseau, 1994), change in attitudes and severe emotional reactions such as resentment, feeling of injustice and anger (Rousseau, 1989; Morrison and Robinson, 1997) and employees who feel that their psychological contracts have been breached tend to reciprocate against their employers with reduced levels of commitment (Robinson, 1996; Robinson et al., 1994), Vos and Meganck (2009) asserts that psychological contracts that offer career development (relational psychological contracts) enhance employee commitment and retention, Vos et al. (2003) concludes that we view psychological contracts as dynamic set of expectations which are affected by newcomers interpretations of their experiences after entry, Heidi and Rahim (2011) concludes that psychological contract explains employee commitment and consequently their turnover intentions, Turnley et al. (2002) asserts that psychological contract fulfilment is strongly related to employee citizenship behaviour directed towards the organisation, and Bal et al. (2013) concludes that developmental HRM rebalances the psychological contract such that employees perceive it as less transactional and more relational thus enabling higher employee engagement and commitment.

Many researchers (Coyle-Shapiro, 2001; Robinson, 1996; Robinson and Rousseau, 1994 and Robinson and Morrison, 2000) in carrying out empirical research have utilised or based their measuring constructs of the psychological contract on the questionnaire developed by Rousseau (1990) and this research will follow this trend in utilising questionnaire developed by Rousseau (1990) in measuring constructs of psychological contract.

Employee commitment

Organisational commitment may be defined or looked at as the relative strength of an individual's or employee's association or identification with and participation in a particular organisation (Mowday, Steers and Porter, 1979). Organisational commitment can be looked at from a three-component model that characterizes the relationship between an employee and an employer, and these are affective commitment which is an employee's positive emotional attachment to an organisation, continuance commitment which is an employee's commitment to an organisation because of perceived high cost of losing membership of the organisation and normative commitment which is an employee's commitment to remain with the organisation because of his perceived feeling of an obligation to the organisation (Meyer and Allen, 1991), and the definition of organisational commitment as defined above by Mowday, Steers and Porter (1979) is reflective of an affective commitment of an individual. Affective commitment has been found to correlate with various job outcomes such as turnover and intention to stay as well as being the most significant predictor of actual turnover (Heidi and Nasurdin, 2008; Allen, Shore, and Griffeth, 2003).

Most prior research on psychological contracts has examined cases in which employees perceive that they have received less than promised. According to this line of research, and consistent with the predictions of social exchange theory and equity theory, when psychological contracts go unfulfilled, both Robinson and Rousseau (1994) and Morrison and Robinson (1997) suggest that employees' attributions regarding the reason for the breach play an important role in determining how they will respond.

From the literature review above, it is clear that psychological contract contentment that gives the feeling of care and concern towards the well-being and development of employees will stimulate a reciprocal attitude or behavior from employees by enhancing their display of affective commitment as well as their willingness to stay longer with the organization and this is in line with the study by Agarwal (2011) confirms that intent to stay and value of commitment is positively correlated to psychological contract and the social exchange theory (Blau, 1964) and norm of reciprocity (Gouldner, 1960).

Culture

Williams et al., (1993) explain that culture is a commonly held and relatively stable beliefs, attitudes and values that exist within an organisation. Hofstede (1997) defined culture as 'the software of the mind'. He helps us think about cultures impact on the ways in which 'collective mental programming' distinguishes a category of people from another. The major strength of the cultural view lies in recognising the major fact that cultural values and attitudes are very different from one society and country to another. This view assumes that there are very strong elements of convergence among and within members of a particular cultural group and different cultural groups are likely to behave differently under similar circumstances because of differences in their underlying values and attitudes. The controlling values of a culture serve several purposes in a society, e.g. they provide a way of looking at the world and at people. They furnish those who hold them with a particular set of beliefs, which then explain as it were the various functions and structures of what is perceived to be (Zeffane and Rugimbana, 1995).

According Omoiya (2005) there is now a survivalist tendency which are strongly rooted in our world acclaimed devotion to and the worship of money (the ezego and igbu ozu mentality). Police call it "a kola nut." Journalists call it "the brown envelope." And politicians call it "a welfare package." Whatever the name, the almighty bribe or money culture has long lubricated Nigerian society (Maycock, 2009; Maycock & Salawudeen 2014)A new culture has been formed over the years as this percentage returns permeated through all sectors of the economy from the police to the government and the educational sector and could be summarised as the '*negative Nigerian money culture*'. That is to say that Nigerians are stimulated to put in their best at a given monetary price. The Nigerian value has been reduced to monetary terms, so has its culture. The question of career progression does not come into play; as most organisations that exist do not have a pension scheme, hence whatever the employees can earn during his working years them in life after his years of service. By the current culture commitment is to self and family members rather than the system or the government, being able to acquire as much money for you and your family due to the level of insecurity in every aspect of the system. This is due to insecurity of jobs, political instability, poverty, social demands by extended family. In Nigeria it could be said that nobody cares for the system, people do everything to provide security for self and family because there are no existing security and welfare system in place by the government (Maycock 2009; Maycock & Salawudeen 2014).

This study therefore is focused on the Nigerian cultural environment, examining the link between the psychological contract and employee commitment, where employees may have different needs from other employees in the Western and Asian environments; thus the following hypotheses have been formulated:

1. There is a relationship between psychological contract violation and employee commitment (i.e. intention to quit behaviour) (H1)
2. There is no relationship between psychological contract violation and employee commitment (i.e. intention to quit behaviour) (H0)

Methodology

The research followed a quantitative methodology utilising questionnaires and the sample population was made up of full time employees of a Mortgage Bank in Nigeria. One hundred and forty (140) usable questionnaires were received. Participation was voluntary and the confidentiality of responses was formally guaranteed by the researcher and the organisation, all questionnaires were distributed in the office together with a letter that provided clarifications about the research.

A validated questionnaire from [Rousseau \(1990\)](#) was used to measure psychological contract while the dependable variable employee commitment will be measured using a 5-item scale derived from Meyer and Allen's (1997), responses to all items will be made on a 5-point Likert scale (1=strongly disagree to 7=strongly agree), the questionnaire wordings may be modified because of the context in which we operate in Nigeria where the interpretation of some English words or sentences may mean something different for instance "Are you alright?" means "How are you?" to an Englishman but to a Nigerian it means "Are you mad?". Pearson correlation coefficient analysis was utilised to determine the relationship between psychological contract violation and intention to quit (i.e. commitment).

Validity is a vital quality that a test should possess (Mc Queen and Kunssen 2002). In the case of this study, the questionnaires covered issues with regards to examining a significant relationship between psychological contract violation and employee commitment (i.e. intention to quit behaviour) in the mortgage bank. A reliability test was conducted using the Cronbach test. However, the questionnaire will only be reliable when used for a similar Nigerian organisation with a research interest in the psychological contract and commitment.

Discussion of Results and Findings

A total of 140 usable questionnaires were received. The participants consisted of 84 Males (60%) and 56 females (40%). A descriptive analysis was done which looked the standard deviation and the mean scores of the results; this was followed by a Pearson co-efficient correlation to examine if there is a significant relationship between psychological contract violation and employee commitment (i.e. intention to quit behaviour).

The Cronbach alpha values were 0.781 for perceived violation of psychological contract, 0.760 for importance attached to psychological contract items studied and 0.851 for intention to quit. All the Cronbach alpha values generated from the reliability statistics exceeded the Cronbach alpha value of 0.7 and this confirms good internal consistency reliability for the scale in this sample (Pallant, 2010).

1. Level of importance attached to the psychological contract items

The table below shows the level of importance attached by employees to psychological contract items studied namely job satisfaction, career development and promotions which are provided in their psychological contract. The maximum value is for "Promotions" and the minimum value is for "Career development".

Item Statistics

	Mean	Std. Deviation	N
Job security is very important to me	4.8643	.36404	140
Career development is very important to me	4.2714	1.06510	140
Promotion is very important to me	4.9643	.18624	140

Level of importance attached by employees

2. Perceived violation of psychological contract items

The table below shows the level of perceived violation of psychological contract items studied namely job satisfaction, career development and promotions which are provided in their psychological contract by their employer. The maximum value is for “Promotions” and the minimum value is for “Career development”.

Item Statistics

	Mean	Std. Deviation	N
Perceived violation on promotions	4.3000	.87079	140
Perceived violation on job security	3.9429	.98017	140
Perceived violation on career development	2.4286	.76000	140

Level of perceived violation of psychological contract items

3. Gender analysis of respondents (psychological contract items)

The table below shows a gender analysis of respondents with respect to their responses to level of importance attached to psychological contract items and level of perceived violation of psychological contract items studied namely job satisfaction, career development and promotion which are provided in their psychological contract by their employer. An interesting point to note is the difference in means between females (4.5714) and male (4.0714) respondents with regards to “Career development” as an important item on their psychological contract.

Report

Gender		job security is very important to me	career development is very important to me	promotion is very important to me	perceived violation on promotions	perceived violation on job security	perceived violation on career development
Male	Mean	4.8095	4.0714	4.9524	4.2262	3.8095	2.3690
	N	84	84	84	84	84	84
	Std. Deviation	.42444	1.20026	.21424	.93591	1.08079	.75697
Female	Mean	4.9464	4.5714	4.9821	4.4107	4.1429	2.5179
	N	56	56	56	56	56	56
	Std. Deviation	.22721	.73502	.13363	.75743	.77292	.76256
Total	Mean	4.8643	4.2714	4.9643	4.3000	3.9429	2.4286
	N	140	140	140	140	140	140
	Std. Deviation	.36404	1.06510	.18624	.87079	.98017	.76000

Gender analysis of respondents (psychological contract items)

4. Gender analysis of respondents (intention to quit)

The table below shows a gender analysis of respondents with respect to their responses to intention to quit items studied namely – “would you quit at some time within the next five years? Would you quit within the year? And do you frequently think of quitting?”. An interesting point to note is the high difference in means male (2.4881, 2.7857 and 1.8452) and females (2.0179, 2.4821 and 1.5714) respectively with regards to “would you quit at some time within the next five years? Do you frequently think of quitting and would you quit within the year?”

Report

Sex		would quit at some point within five years	frequently thinking of quitting	would quit within the year
Male	Mean	2.4881	2.7857	1.8452
	N	84	84	84
	Std. Deviation	1.03544	1.03052	.85720
Female	Mean	2.0179	2.4821	1.5714
	N	56	56	56
	Std. Deviation	.99984	1.04431	.73502
Total	Mean	2.3000	2.6643	1.7357
	N	140	140	140
	Std. Deviation	1.04365	1.04304	.81894

Gender analysis of respondents (psychological contract items)

5. Intent to quit behaviour

The table below shows the intent to quit behaviour by the employees that respond to the level of perceived violation of psychological contract items studied namely job satisfaction, career development and promotions.. The maximum value is for “Frequently thinking of quitting” and the minimum value is for “Would actually quit within the year”.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
would quit at some point within five years	140	1.00	5.00	2.3000	1.04365
frequently thinking of quitting	140	1.00	4.00	2.6643	1.04304
would quit within the year	140	1.00	4.00	1.7357	.81894
Valid N (listwise)	140				

Table: Intention to quit behaviour

6. Pearson correlation coefficient analysis

The table below shows the direction of relationship between the highest item of psychological contract violation (i.e. Promotions) and intent to quit behaviour (i.e. would actually leave within the year). The Pearson correlation coefficient (r) was -0.241^{**} .

Correlations

		perceived violation on promotions	would quit within the year
Perceived violation on promotions	Pearson Correlation	1	$-.241^{**}$
	Sig. (2-tailed)		.004
	N	140	140
Would actually quit within the year	Pearson Correlation	$-.241^{**}$	1
	Sig. (2-tailed)	.004	
	N	140	140

****.** Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation between Perceived violation on promotions and intent to quit behaviour (would actually quit within the year)

Discussions of findings and results

The key objective of this study was to examine selected if any link or significant relationship exist between employee commitment (using intention to quit as the indices for employee commitment in this study) and employee beliefs about reciprocal and promissory obligations between them and their employer (i.e. psychological contract violations). In this study, it was hypothesized that there is a significant relationship and link between psychological contract violation and employee commitment (i.e. intention to quit behaviour).

Using the Pearson correlation coefficient analysis the results indicated that that a relationship exists between psychological contract violation and employee commitment (i.e. intention to quit), the results also indicate a negative correlation indicating that employees will necessary not quit (i.e. commitment) although they experience psychological contract violations. Hence, Hypothesis (H1) was rejected as the empirical result indicates that psychological contract violations do not necessarily have a negative impact on employee's commitment (i.e. intention to quit). Intention to quit can serve as a barometer to check one's psychological attachment to the organisation and also more accurately reflects one's attitude towards and organisation as well as it being the most noticeable response to negative events in the workplace (Lum et al., 1998 cited in Joshy and Srilatha, 2011, pp. 284). The result in this study is in contrast with most studies in the literature that confirm that psychological contract violations have a negative impact on employee's organisational behaviours (Agarwal, 2011; Joshy and Srilatha, 2011). This conflicting finding from this research which is rather surprising indicates that employees (both male and females) are dissatisfied with the violation of their most important psychological contract item – "Promotions" but still are committed to the organization, this appears very contradictory.

The contradiction in the results obtained from this study may have arisen from the fact that there are no job opportunities due to the high unemployment rate in Nigeria which stands at 23.9 percent as at 2011 (ThisDayLive, 2013); also several reports put Nigeria's unemployment rate at about 24 percent; and 60 per cent of the country's population are youths, translating to about 80 million Nigeria youths. To think that there are 64 million able body human beings without means of any livelihood is mind boggling; for a nation without any social programs – welfare or unemployment stipend (Businessdayonline, 2014). Also difficulty in securing other jobs as evidenced by instances such as financial institutions demanding money from prospective employees before employment (NairalandForum, 2013) and the fact that there are no welfare safe-nets in Nigeria as is the case in most western countries that have welfare systems and welfare benefits (WelfareInformation, 2013); hence the reason why Nigerian employees are willingly to continue in their employment even when they believe that their psychological contracts have been violated, thus explaining the contradictory findings in this study.

Another explanation could be that some of the employees from this organization are aware that they lack employability skills needed by other organizations as a result of their qualifications, work experiences or skills levels. The issues highlighted above as probable or likely reasons that may have accounted for the contradictory results gotten from this study will require further investigations to ascertain an acceptable reason for the outcome that this study has generated.

Another interesting result from this study was the fact in this study highest level of importance attached by employees to psychological contract items studied (namely job satisfaction, career development and promotions) which are provided in their psychological contract was to the item "Promotions" which had a mean score of 4.9643 while the lowest level of importance was attached to "Career development" with a mean score of 4.2714, this is in contrast to similar studies carried out in Western cultural settings and Asian/Indian cultural settings which indicated that employees attached the highest importance to "Career development" (Agarwal, 2011; Joshy and Srilatha, 2011).

This contrast in the findings from this research highlights the fact that although the Nigerian culture as in most African countries is collectivist in nature which is consistent with the principles of the traditional system of organization that we find in Africa (Ahiauzu, 1986), the workplace orientation in this particular Nigeria bank as evidenced by this study were the highest means score of 4.9643 for the most important item in employees psychological contract was for "Promotions" supports an individualistic culture that exhibits higher commitment levels to jobs when satisfied with opportunities for personal advancement such as promotions (Gelade, 2008; Sidle, 2009) whereas a collective orientation would have exhibit higher commitment levels to their jobs when satisfied with availability of career development opportunities (Gelade, 2008; Sidle, 2009). It could also be explained by the 'money culture' which is deep rooted in the Nigerian context (Maycock, 2009; 2014), as promotions means more money which enables employees cater to the needs of their immediate family hence enhancing their sense of security within the organization. According Omoiya (2005) and Maycock (2014) there is now a survivalist tendency which are strongly rooted in our world acclaimed devotion to and the worship of money (the ezego and igbu ozu mentality). Police call it "a kola nut." Journalists call it "the brown envelope." And politicians call it "a welfare package." Whatever the name, the almighty bribe or money culture has long lubricated Nigerian society (Maycock, 2009; 2014). Hence the preference for promotions as compared to career development by employees within this organisation could be explained by the culture within Nigeria.

Implications of Research

This research is important for business practitioners because it will stimulate discussions and actions towards enhancing employee commitment. By understanding the link between employee psychological contract violations and employee commitment, business leaders, managers and practitioners will be able to mitigate against dissatisfaction in the reciprocal exchange agreement between employees and the organisation, design and implement measures and interventions thereby enhancing employee commitment and reducing employee turnover (Agarwal, 2011; Vos and Meganck, 2009) as well as reduce recruitment and selection cost resulting in reduction of overall organisational operating cost.

For practitioners this research has brought to light the fact that although Nigerian is a collectivist society, the workplace environment in this particular Nigerian bank is individualistic and so in planning and developing psychological contracts and human resources policies it may be important that more attention should be given to the type of organisational culture in operation. For the managers, it is important that attention be paid to the creation of opportunities for personal advancement such as promotions and the design of human resource policies in line with the culture of the organisation and country in order to enhance employee commitment levels and job satisfaction (Paige et al., 2003; Hernandez and Kose, 2012). Although the findings of this research confirm that the psychological contract is an important tool for understanding employment relationships and employee behaviours in the workplace.

Limitations and Future Research

This study captures only one organisation, within a specific period in time as compared to a study that captures the mortgage banking industry in Nigeria and a longitudinal study that would have allowed for a larger and more diverse sample population and captured the outcomes of commitment levels over time. This serves as a pointer for future research within the Nigeria context and a consideration of the effect of socio-economic factors on employee's commitment levels. Further research needs to be carried out on the effect that age, qualifications, work experience and grade level have on employee commitment and employee psychological contract violation.

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