Book Review


Many readers will recognize the subtitle. Organizations and the Psychological Contract: Managing People at Work is a revised and expanded version of Makin et al.'s Managing People at Work (1989), a standard work in the psychology of organizational behavior. In the new work, the authors contend that "work in organizations would become much more effective if the psychological contract was clarified and agreed in much the same way as is the legal contract" (p. 9). This is the basis for the book's title.

Each of the book's 12 chapters deals with a major topic in organizational behavior. Chapters 1-6 deal with the individual or "micro" organizational behavior. Chapter 7 deals with groups. Chapters 8-9 analyze organizational characteristics, or "macro" organizational behavior. Chapters 10-12 deal with selected practical problems in the psychological approach to organizational behavior. Each chapter concludes with a short reminder of the links between the chapter and the psychological contract.

Chapter 1 shows how initial expectations are developed by both parties to the psychological contract. The authors give advice on how the selection process, and in particular the interview, may be improved. Attention then turns to assessment centers and their role in selection and placement. Finally, Chapter 1 turns to career theories and their relevance in the current time of rapid change in work arrangements. Employees, particularly highly trained professionals, may have unrealistically high career expectations. The authors echo Robinson and Rousseau's (1994) finding that violations of the psychological contract are the norm rather than the exception. Making expectations more explicit may improve the situation.

Chapter 2 turns to personality theory, working from individual attributes to work-related attitudes such as job satisfaction and commitment to remain with the employing organization. There is general agreement among scholars that personality variables are a minor determinant work behavior, while situational characteristics matter a great deal. In particular, "roles" consisting of standard and pre-determined patterns of behavior are strong determinants of work behavior. Role-based expectations are an important source of behavioral expectations in the psychological contract. Violation of such expectations can reduce both satisfaction and commitment.
Chapter 3 turns to interpersonal interactions. We simplify our lives and categorize other people, creating stereotypes and attributing attitudes, in order to deal with an otherwise impossibly complex world. The authors offer transaction analysis (TA) as a clinical methodology for exploring and improving interpersonal situations and psychological contracts. TA offers a theory of personality and interpersonal interaction. Interactions are characterized as transactions between partners who are operating in Parent, Adult, or Child ego-states. The chapter concludes that the individual Child's needs for enjoyment, excitement, and emotional support may be the keys to energy, creativity, and motivation. Negotiation and renegotiation of the psychological contract is likely to proceed more smoothly if both parties are operating in "I'm OK, You're OK" mode.

Chapter 4 analyzes classical (non-behavioral) theories of human motivation, converging on equity and exchange theory as the most important for psychological contracting. The content of the exchanges between individual and organization is the substance of distributive justice. The authors also consider the process of exchange, relying heavily on Jerald Greenberg's (1990) work on procedural justice. The basic argument is that employees may respond negatively to perceived breaches of the norms of fairness and reciprocity. Such a breach may occur in either the content or the process of exchanges with the employing organization. Breaches often lead to disruption of established work arrangements.

Chapter 5 concerns goal setting and organizational behavioral modification. These theories of work motivation explicitly specify the rewards that will be offered in exchange for performing specific work behaviors. This explicitness suggests that organizations might do well to make behavioral expectations explicit with employees. The parties would openly negotiate the psychological contract as they openly negotiate the economic contract.

Chapter 6 deals with traditional theories of leadership (trait, behavior, Ohio State, Michigan, contingency, etc.) as well as the more recent charismatic and transformational theories. Expectations of leader behavior and style are important elements of the psychological contract. Leadership styles characterize the existing psychological contract and what changes are possible. The authors then turn to staff appraisal as the best opportunity for renegotiation of the psychological contract, if necessary. For example, a highly participative organization, a "tell" style of appraisal (essentially an authoritarian style) is likely to lead to trouble. Similarly, an authoritarian organization will find it hard to implant responsibility in its people.

Chapter 7 moves up to group level analysis. People's expectations about their participation in groups affect group effectiveness. This is true for intra-group and inter-group levels of analysis. Violating expectations about the amount of participation allowed in decision making may reduce employee commitment to remain with the organization. On the inter-group front, there will be expectations concerning the amount of competition and cooperation between groups. Violations may cause mistrust and dysfunctional competition. Team building exercises are suggested as a way to openly negotiate and renegotiate the psychological contract.

Chapter 8, Identifying Organizational Problems, moves up to organization level analysis, listing types of organization and the metaphors people use to understand them. Organizational structure and culture condition the possibilities for change.